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Report of H. Carl Goldenberg, Special Commissioner, of an investigation into an Alleged Combine in the Bread-baking Industry in Saskatchewan, Alberta and British Columbia

COMBINES INVESTIGATION COMMISSION
DEPARTMENT OF JUSTICE
OTTAWA, NOVEMBER 3, 1948

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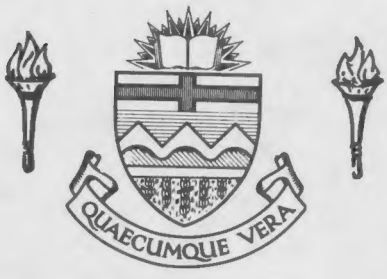

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LETTERS OF TRANSMITTAL

OTTAWA, November 4, 1948

Right Honourable LOUIS S. ST. LAURENT, K.C.,
Minister of Justice,
Ottawa.

SIR:

I have the honour to transmit herewith the report of Mr. H. Carl Goldenberg, Special Commissioner appointed under the Combines Investigation Act to conduct an investigation into an alleged combine in the bread-baking industry in the provinces of Saskatchewan, Alberta and British Columbia. Preliminary inquiries into complaints of an alleged combine had been made by the Combines Investigation Commission, but the pressure of work in other inquiries made it desirable to have a special commissioner appointed to conduct the full investigation which appeared to be necessary.

Yours faithfully,

F. A. McGREGOR
Commissioner
Combines Investigation Act

MONTREAL, November 3, 1948.

F. A. McGREGOR, ESQ.,
Combines Investigation Commissioner,
Department of Justice,
Ottawa.

DEAR SIR:

I submit herewith my report of an investigation under the Combines Investigation Act into an alleged combine in the bread-baking industry in the provinces of Saskatchewan, Alberta and British Columbia. This investigation has been made pursuant to Order in Council P.C. 561, of February 12, 1948, appointing me a Special Commissioner under the said Act to conduct such an investigation.

As a Special Commissioner I held hearings in March and April, 1948, in Edmonton, Calgary, Vancouver, Regina, Saskatoon and Winnipeg. In the course of 25 days of hearings, 73 witnesses were examined on oath, and 587 exhibits were produced, identified and filed.

The parties concerned in the alleged combine were given notice by me in writing of the charge of misconduct alleged and full opportunity was afforded to them to be heard in person or by counsel respecting the subject matter of the inquiry. Accordingly, some of the parties were represented by counsel at the hearings, and counsel submitted arguments at the conclusion of the hearings in Winnipeg.

Certain information requested from various companies was furnished by them in written returns, and authority to examine their census returns under the Statistics Act, 8-9 Geo. V, c. 43, was given to the Combines Investigation Commissioner by the McGavin Companies, Canadian Bakeries Limited, Weston's Bread and Cake (Canada) Ltd., Palace Bread Ltd. (Calgary) and General Bakeries Limited (Vancouver).

Mr. E. H. Logan, barrister, of Edmonton, acted as counsel for the Commission throughout the hearings, and I desire to acknowledge the valuable services which he and others associated with me rendered.

Yours faithfully,

H. CARL GOLDENBERG
Special Commissioner

REPORT OF THE SPECIAL COMMISSIONER

I. THE BREAD-BAKING INDUSTRY IN WESTERN CANADA

The principal feature of the bread-baking industry in the provinces of Saskatchewan, Alberta and British Columbia is the predominant position occupied by three chain bakeries operating in each of these provinces: the McGavin Companies, Canadian Bakeries Limited, and Weston's Bread and Cake (Canada) Limited—referred to in this report as the Western chain bakeries. While there are also a large number of small independent units in the industry, the only large bakeries outside of the three chains are Palace Bread Ltd., an independent company operating in Calgary, and General Bakeries Ltd., a branch of an eastern chain operating in Vancouver.

1. The Western Chain Bakeries

(1) THE MCGAVIN COMPANIES are three in number:

(*a*) McGavin Bakeries Limited was incorporated under the Dominion Companies' Act in 1929. Between 1929 and 1947 it acquired the assets of eight independent bakeries and now operates seven plants in the following cities: Brandon, Manitoba; Regina, Saskatoon and Prince Albert, Saskatchewan; Lethbridge, Alberta; and Kelowna and Victoria, British Columbia.

The company is controlled by Ogilvie Flour Mills Co. Ltd., which holds approximately 47,500 of the 50,000 issued shares, the balance being held by the McGavin family.

(*b*) McGavin Limited, originally incorporated as Western Canada Bakeries Limited in 1920, acquired four independent bakeries between 1928 and 1947 and now operates three plants in Alberta, located in Edmonton, Calgary, and Grande Prairie respectively. Of the company's issued stock of 5,000 shares the McGavin family holds approximately 2,750, while the balance is held by Ogilvie Flour Mills Co. Ltd.

(*c*) McGavin Limited, originally incorporated under the laws of British Columbia in 1913 as Griffith Bread Company Ltd., acquired a number of independent bakeries and now operates two plants in British Columbia, located in Vancouver and Nanaimo. The majority stock of the company is owned by the McGavin family and McGavin Limited (Edmonton), while Ogilvie Flour Mills Co. Ltd. owns approximately 10 per cent of the 6,600 issued shares.

While the three McGavin companies are legally separate entities, and while the McGavin family holds a majority interest in two of the companies whereas Ogilvie Flour Mills Co. Ltd. has a controlling interest in the third, the three companies have the same officers operating out of the same executive offices in Vancouver and the same board of directors (except that one additional representative of Ogilvie Flour Mills Co. Ltd. is on the board of McGavin Bakeries Limited). Mr. James McGavin is President of each of the companies; Mr. Allan M. McGavin Jr., is Vice-President and General Manager; and Mr. S. Johnstone is Secretary-Treasurer. Plant managers are freely moved or promoted from the management of one company's plant to that of another.

(2) CANADIAN BAKERIES LIMITED was incorporated under the Dominion Companies' Act in 1925, and acquired the properties formerly owned by Shelly's Brothers Limited, Vancouver, and the branches they operated at Victoria, Nanaimo and New Westminster, British Columbia; Shelly Brothers Limited, Calgary, and the branch they operated at Lethbridge, Alberta; Jackson Bakery Limited, Calgary, Alberta; Moose Jaw Bread Company Ltd., Moose Jaw, Saskatchewan; and Sanitary Bakeries Limited, Regina, Saskatchewan. Between 1927 and 1948 the company acquired the assets of eight independent bakeries, opened bakeries on leased premises, and built bakeries in various cities and towns of Saskatchewan, Alberta and British Columbia. The company now operates 18 plants located as follows:

British Columbia:	Vancouver, New Westminster, Victoria, Nanaimo, Trail, Nelson, Kamloops, Dawson Creek.
Alberta:	Calgary, Lethbridge, Edmonton.
Saskatchewan:	Moose Jaw, Swift Current, Prince Albert, Saskatoon, North Battleford, Yorkton, Regina.

Canadian Bakeries Limited, with executive offices in Calgary and Vancouver, is controlled by the Maple Leaf Milling Company Ltd. Its officers are Mr. R. W. Ward, President and General Manager; Mr. D. C. MacLachlan, Vice-President; and Mr. D. A. Ross, Assistant General Manager and Secretary-Treasurer.

(3) WESTON'S BREAD AND CAKE (CANADA) LIMITED, with head office in Winnipeg, was incorporated under the Dominion Companies' Act in 1938. It is controlled by George Weston Limited, which owns all the common shares except six directors' qualifying shares, and which in 1938 purchased the business from its previous owner, Inter-City Western Bakeries Limited. The company acquired Edmonton City Bakery Limited* in 1945 as a wholly-owned subsidiary.

The company operates plants in Winnipeg, Manitoba; Regina and Moose Jaw, Saskatchewan; Medicine Hat and Calgary, Alberta; and Vancouver and Victoria, British Columbia, in addition to Edmonton City Baking Limited in Edmonton.

The officers of the company are Mr. W. Garfield Weston, Chairman of the Board; Mr. F. W. St. Lawrence, President; Mr. R. A. Robertson, Vice-President; Mr. H. S. Conrad, Vice-President and Managing Director; and Mr. A. Kelly, Secretary.

2. Dominant Position of the Western Chain Bakeries

Each of the Western chain bakeries produces bread and allied bakery products such as cakes and sweet goods. Their wholesale business with stores and restaurants represents by far the larger volume of their sales, while the remainder is represented by their retail house-to-house business. Their dominant position from the standpoint of the quantity of bread produced and the volume of sales, particularly in the cities and towns where their plants are located, is shown in the Appendix to this report. The figures for Vancouver and Calgary include those of General Bakeries Limited, Vancouver, and Palace Bread Limited, Calgary, as well as those of the three Western chain bakeries. The 1946 statistics were the latest available.

(1) PERCENTAGE OF TOTAL BREAD BUSINESS IN ALBERTA. Table 1 in the Appendix shows that:

(*a*) In Calgary, in 1946, the Western chain bakeries and Palace Bread Limited produced 86·8 per cent of the quantity of bread made and 74·5 per cent of the total dollar value of production of bread and other

* Name changed, after the acquisition, to Edmonton City Baking Limited.

bakery products, while their wholesale sales represented 93·5 per cent of the total and their retail house-to-house sales 95·6 per cent of the total, in dollar value. The remainder of the business was in the hands of twenty other bakeries.

(*b*) In Edmonton, in 1946 the Western chain bakeries produced 85·1 per cent of the quantity of bread made and 70·3 per cent of the total dollar value of production of bread and other bakery products while their wholesale sales represented 83·4 per cent of the total and their retail house-to-house sales 98·7 per cent of the total in dollar value. The remainder of the business was in the hands of twenty-one other bakeries.

(*c*) In Lethbridge in 1946 the two chain bakeries operating plants in that city produced 93·3 per cent of the quantity of bread made and 81·7 per cent of the total dollar value of production of bread and other bakery products while their wholesale sales represented 89·4 per cent of the total and their retail house-to-house sales 100 per cent of the total, in dollar value. The remainder of the business was in the hands of three other bakeries.

(*d*) In the whole province of Alberta in 1946 the three chain bakeries and Palace Bread Limited operating ten plants produced 76 per cent of the quantity of bread made and 64·5 per cent of the total dollar value of production of bread and other bakery products while their wholesale sales represented 81 per cent of the total and their retail house-to-house sales 91·5 per cent of the total, in dollar value. The remainder of the business was in the hands of 113 other bakeries.

(2) Percentage of Total Bread Business in British Columbia. Table 2 in the Appendix shows that:

(*a*) In Vancouver in 1946 the Western chain bakeries and General Bakeries Limited produced 71·9 per cent of the quantity of bread made and 48·4 per cent of the total dollar value of production of bread and other bakery products while their wholesale sales represented 68·8 per cent of the total and their retail house-to-house sales 95 per cent of the total, in dollar value. The remainder of the business was in the hands of 109 other bakeries.

(*b*) In Victoria, in 1946, the Western chain bakeries produced 82·1 per cent of the quantity of bread made and 55·6 per cent of the total dollar value of production of bread and other bakery products while their wholesale sales represented 73·7 per cent of the total and their retail house-to-house sales 99·4 per cent of the total, in dollar value. The remainder of the business was in the hands of thirty-one other bakeries.

(*c*) In New Westminster in 1946 Canadian Bakeries Limited, the only one of the Western chain bakeries operating a plant in that city, produced 88·2 per cent of the quantity of bread made and 67·5 per cent of the total dollar value of production of bread and other bakery products, while its wholesale sales represented 85 per cent of the total and its retail house-to-house sales 86·3 per cent of the total, in dollar value. The remainder of the business was in the hands of ten other bakeries.

(*d*) In the whole province of British Columbia, in 1946, the three chain bakeries and General Bakeries Limited, operating twelve plants, produced 62·6 per cent of the quantity of bread made and 44·5 per cent of the total dollar value of production of bread and other bakery products, while their wholesale sales represented 62·3 per cent of the total and their retail house-to-house sales 79·7 per cent of the total, in dollar value. The remainder of the business was in the hands of 249 other bakeries.

(3) Percentage of Total Bread Business in Saskatchewan. Table 3 in the Appendix shows that:

(*a*) In Regina, in 1946, the Western chain bakeries produced 87 per cent of the quantity of bread made and 73·8 per cent of the total dollar value of production of bread and other bakery products, while their wholesale sales represented 85·1 per cent of the total and their retail house-to-house sales 78·6 per cent of the total, in dollar value. The remainder of the business was in the hands of eleven other bakeries.

(*b*) In Saskatoon, in 1946, the two chain bakeries operating plants in that city produced 87·1 per cent of the quantity of bread made and 75·7 per cent of the total dollar value of production of bread and other bakery products, while their wholesale sales represented 91 per cent of the total and their retail house-to-house sales 100 per cent of the total, in dollar value. The remainder of the business was in the hands of seven other bakeries.

(*c*) In Moose Jaw, in 1946, the two chain bakeries operating plants in that city produced 84·8 per cent of the quantity of bread made and 70·4 per cent of the total dollar value of production of bread and other bakery products, while their wholesale sales represented 87 per cent of the total and their retail house-to-house sales 78 per cent of the total, in dollar value. The remainder of the business was in the hands of five other bakeries.

(*d*) In the whole province of Saskatchewan, in 1946, the three chain bakeries, operating 11 plants, produced 75·8 per cent of the quantity of bread made and 67·1 per cent of the total dollar value of production of bread and other bakery products, while their wholesale sales represented 80·1 per cent of the total and their retail house-to-house sales 85·7 per cent of the total, in dollar value. The remainder of the business was in the hands of eighty other bakeries.

BREAD-BAKING INDUSTRY STATISTICS
1939 AND 1946

	Alberta		Saskatchewan		British Columbia	
	1939	1946	1939	1946	1939	1946
Number of Establishments—						
Chain Bakeries (including Palace Bread in Alberta and General Bakeries in British Columbia)	9	10	11	11	11	12
Other Bakeries	151	113	114	80	265	249
Production of Bread (in thousands of pounds)						
Chain Bakeries (as above)	24,800	61,540	16,719	51,007	31,489	62,813
Other Bakeries	20,772	19,339	14,327	16,265	33,565	37,523
Percentage of Chain Bakeries (as above) to Total	54·4%	76·0%	53·8%	75·8%	48·4%	62·6%
Total Production (in thousands of dollars) (Bread, Cake, Pastries, etc.)						
Chain Bakeries (as above)	1,729	5,431	1,171	3,595	2,614	6,191
Other Bakeries	1,780	2,982	967	1,757	3,853	7,723
Percentage of Chain Bakeries (as above) to Total	49·2%	64·5%	54·7%	67·1%	40·4%	44·5%

The dominant and controlling position of the Western chain bakeries, together with Palace Bread Limited in Calgary and General Bakeries Limited in Vancouver, in each of the three provinces emerges clearly from an analysis of the foregoing figures. While that position is more marked with respect to the production of bread and in the cities and towns where their plants are located, it extends also to the production of other bakery products and throughout the three provinces.

With the increase since 1939 in the consumption, and therefore in the production, of bread and bakery products, the trend has been towards a greater degree of domination and control of production by the big chain bakeries, as is shown by the statistics for the three provinces on page 10. The figures for Palace Bread Limited are included with those of the chain bakeries in Alberta and those for General Bakeries Limited with the chain bakeries in British Columbia.

In Saskatchewan and Alberta the weight of a standard loaf of baker's bread is 20 ounces. In the Vancouver area of British Columbia the weights of standard loaves are 16 ounces for unwrapped bread and 15 ounces for wrapped bread. In other cities in British Columbia the standard loaf is commonly 16 ounces.

3. The Bakers' Associations

In each of the three provinces the bakers are organized in one or more trade associations. The purpose of these associations, as stated in evidence by numerous witnesses, is to promote the interests of the baking industry by "stabilizing" it and regulating "bad" and "unethical" practices, which include "price-cutting", as well as providing an organization for the discussion of problems of mutual concern.

With the apparent exception of the Master Bakers' Association (Vancouver), all the associations seek to enrol all bakeries, large and small, as members. Owing to their dominant position in the industry, however, the Western chain bakeries have been the moving spirits and the dominant factors in the bakers' associations, as well as their main financial support. (After the conclusion of the hearings into the alleged bread combine, the Special Commissioner was advised in writing by counsel on May 1, 1948, that Canadian Bakeries Limited "has within the last few days withdrawn its membership in all Bakery Associations in Canada, local, provincial and Dominion, and has instructed its various managers to send in to the respective Associations their resignations, the same to take effect immediately".)

The principal bakers' associations in the three provinces are the following:

(1) Alberta Master Bakers' Association, Inc., incorporated under the Alberta Societies Act. This Association operates in two divisions: the northern division, of which Mr. Charles Simmonds has been Secretary since 1938, with headquarters in Edmonton; and the southern division, of which Mr. Robert N. Alexander has been Secretary since April 1947, with headquarters in Calgary.

(2) Master Bakers' Association, Vancouver, incorporated under the British Columbia Societies Act, and the British Columbia Bakers' Association. Mr. F. A. Wilson is Secretary of both associations, with headquarters in Vancouver.

(3) Saskatchewan Bakers' Association, an unincorporated body, of which Mr. W. Bruce Cronk has been Secretary since 1936, with headquarters in Saskatoon.

II. THE ALLEGED BREAD-BAKING COMBINE: ALBERTA

The Western chain bakeries and the other bakeries in Alberta operate independently and compete for the sale of their products. This competition is subject to certain agreements and arrangements governing the price of bread and bakery products as well as other matters. These agreements and arrangements have aimed at establishing and have in effect established uniform wholesale and retail prices for the bread produced and sold by the Western chain bakeries and other bakeries.

The price agreements and arrangements have in the main been established and maintained through the operations of the Alberta Master Bakers' Association Inc. The dominant factors and the moving spirits in the Association have been the Western chain bakeries—McGavin's, Canadian Bakeries (also described as Four X), and Weston's—and Mr. Charles Simmonds, the secretary of the northern division since 1938 and secretary of both divisions in 1942 and 1943. While they have received the co-operation, both voluntary and involuntary, of the other members of the Association, the three chain bakeries, assisted by Mr. Simmonds, are primarily responsible for such agreements and arrangements as have been made and as have been successfully maintained.

The policy and practices of the three chain bakeries and of the Association with respect to setting and maintaining uniform prices and otherwise restricting competition were admitted in evidence by numerous witnesses and are established by various written agreements and other documents produced as exhibits. It has been submitted in evidence that the nature of the bread industry requires price stabilization in order to avert "bread wars", which have occurred in the past to the alleged detriment of all bakers. The policy has, therefore, been to eliminate price as a factor in competition by agreeing upon uniform wholesale and retail prices for the products of the three chains and Palace Bread in Calgary, who together produce by far the larger volume, and upon uniform prices with a differential for the products of the other bakeries. For price purposes only, the bread of the larger bakers is referred to as a "primary" loaf and that of the other bakers as a "secondary" loaf. Alleged violations of the agreements are referred to the secretary of the Association, who writes to and visits the alleged violators with a view to adjusting price discrepancies. Subsidiary agreements to protect the price structure seek to eliminate, or at least to restrict, interprovincial and inter-zonal shipping of bread which might occur because of price differentials. There have also been agreements on the submission of uniform tenders. A sanction for the enforcement of retail prices, but which has apparently been rarely used, is that of cutting off supplies to retailers.

The net result of these policies and practices has been generally, but with some exceptions, to eliminate price as a factor in competition and to restrict competition to quality, salesmanship and service. This has been admitted in evidence by various witnesses, including officials of the principal bakeries.

Mr. C. A. Blair, manager, Canadian Bakeries Limited, Edmonton, stated in evidence:

> Q. You do not think, therefore, there should be competition among the bakers?
> A. Certainly there should be, there still is and always will be.
> Q. What kind of competition?
> A. Fair competition.
> Q. How can you consider there is fair and free competition, when you are selling at the same price, what competition is there left?
> A. There is still the desire to make a better product than your competitors, you get it on that basis, and get all the business you can.
> . . . .

Q. I am interested in this competition. There is no competition as to price but you say there is competition insofar as quality is concerned?

A. Yes. We have men out trying to get business on the quality of our products, in the country and the city.

Q. You are saying that you are competing by trying to increase the sale of your product, and that you have salesmen all through the Province trying to promote the sale of your product?

A. Yes.

. . . .

Q. What kind of competition are you engaged in which might tend to reduce the price to the consumer?

A. We are not engaged in any competition to reduce the price to the consumer.

(Evidence, Edmonton, pp. 147-149)

Mr. J. P. Barberie, manager, McGavin's Limited, Edmonton, said:

Q. Does stabilization mean controlling prices?

A. It has in this case.

Q. Has the Association succeeded in controlling the price of bread pretty well?

A. To a fair extent.

Q. Has that been due to the close co-operation between McGavin's, E.C.B. and Canadian Bakeries?

A. And all the other bakers in the Association.

Q. But they are the dominant factors in the industry?

A. They have been the main support of the Association, yes.

. . . .

Q. In effect, am I right in this, am I right in saying this, there is not competition among the big three, if I may call them that, insofar as price is concerned?

A. No, not as far as price is concerned, apparently not.

(Evidence, Edmonton, pp. 207-210)

Mr. J. L. Johnston, manager, Edmonton City Baking Limited, (E.C.B.), a subsidiary of Westons, said:

Q. As far as the retail price of the bread product is concerned, you have agreed with your competitors, have you not, to maintain a certain retail price?

A. To attempt to maintain it, yes.

Q. Have you succeeded?

A. In spots, we have difficulties.

Q. Generally speaking, you have succeeded?

A. Yes.

Q. In what other ways do you compete with Canadian Bakeries and McGavin's?

A. We compete as to quality and service.

Q. Do you compete in any way which might reduce the price to the consumer?

A. That is a rough one.

Q. Well do you compete in any way which might reduce the price of bread to the consumer? A perfectly fair and straight question.

A. We feel on the whole, well the selling prices, we don't make a definite point to lower that price, if that is what you mean.

(Evidence, Edmonton, p. 224)

Mr. C. R. Murphy, manager, Canadian Bakeries Limited, Lethbridge, said:

Q. There is no competition as far as price is concerned?

A. No, I don't believe there is, there is certainly competition as far as quality and service.

(Evidence, Calgary, p. 294)

Mr. T. S. Cameron, manager, Weston's Bread and Cake (Canada) Limited, Calgary, said:

Q. Who do you consider your principal competitors?

A. The other three large bakeries, McGavin's, Palace and the Canadian Bakeries.

Q. They are your competitors, you consider them competitors?

A. Yes.

Q. You compete with them?

A. Yes.

Q. On what basis do you compete?

A. Well—on price—

Q. Do you compete with them on a price basis?

A. We agree on prices, prices are suggested and we compete with them on that price.

Q. You don't compete on a price basis, you have just said you agree as to prices, you compete with them on the basis that you are selling on that price, is that what you mean?

A. We think we have the best quality bread in Calgary—

Q. That is not answering the question. You compete with them but the prices are agreed upon?

A. Yes.

Q. Well, once you have set prices you are not competing as to price, that is obvious, you must be competing on some other basis?

A. Yes.

Q. What is that basis?

A. Quality I suppose.

Q. You try to sell to the public the idea that Weston's is a better bread than McGavin's, or the 4X, or the Palace?

A. Yes.

Q. And they try to do the same thing?

A. Yes.

Q. Is it correct to say that your competition is all competition of salesmanship, rather than in price?

A. Yes, I would say there is a lot to that.

Q. You think that would be right?

A. Yes.

Q. That is putting it fairly?

A. Yes.

Q. It is a competition of salesmanship rather than of price?

A. Yes.

(Evidence, Calgary, pp. 361-362)

It has been submitted in evidence that the maintenance of a uniform wholesale price has not injured the consumer since the retailer would not pass on the benefits of competitive wholesale prices but would merely increase his own mark-up. It was established in evidence, however, that price fixing in Alberta extended not only to the wholesale but also to the retail price. Its effectiveness both on the wholesale and on the retail level has been described by Mr. Simmonds in a report dated April 12, 1944, as follows:

"The following are some of the accomplishments of the Association since 1938:

1. Abolition of all discounts and preferred lists. One wholesale price.
2. Maintenance of off-wagon prices and elimination of discounts to boarding houses, etc. One retail price.

. . . .

5. Increase in price amounting to 1c as from November 6, 1939.
6. Circumvention in five instances of efforts by Safeway Stores to reduce the price of bread to 7c retail.
7. Maintenance of a strict border line between Alberta and Saskatchewan. This has been made because the highest prevailing laid-in price in Saskatchewan is 7c as against our 7½c f.o.b. the plant. . . .

In conclusion, special mention should be made of the operations of a special committee named the Baking Industry Committee, which was formed under the aegis of the Provincial Government in February, 1940 This was caused by the withdrawal of the Safeway Stores from Membership in the Association and was designed to still maintain control of their activities to some extent. The Provincial Government agreed to have a representative sit in as a permanent member of the Committee and to take the Chairmanship and the following are represented: Large Bakers, Safeway Stores Bakery, Small Bakers including Window Bakers, and Labour, with the writer sitting in in an advisory capacity. The first meeting, held on May 1, 1940, resulted in an agreement covering various operations and prices and this agreement has remained in force in spite of many attempts on the part of Safeway Stores to break it. Since that date, in five instances the Committee has met to consider proposals from the Safeway Stores for a reduction in the price of bread; in all cases the crises were satisfactorily settled. It is obviously important that continued existence of this valuable body be maintained as without its operations the price of bread for Alberta would have been at least 2c lower in all stores."

(Exhibit 64)

It is important to note the admission by Mr. Simmonds in this 1944 report that but for the operations of the Association and of the Baking Industry Committee "the price of bread for Alberta would have been at least 2c lower in all stores".

The general policy of the principal bakers and of the Association with reference to prices has been described as follows by Mr. F. E. Alloway, sales manager and sales supervisor of the McGavin plants in Saskatchewan and Alberta from 1938 to 1944:

Q. What was your policy with reference to prices, having in mind the Master Bakers' Association?

A. To try and keep prices as uniform as possible in all the territories.

Q. How was that done?

A. Through the Association.

Q. What steps would be taken in the case of the price being found to be less than the Association set, the minimum price of bakery products? Steps would be taken?

A. Yes, that is right.

Q. In the case of anyone selling less than the minimum price, what was the procedure?

A. To report it to the Secretary.

Q. What would he do?

A. Try to have things adjusted.

Q. THE COMMISSIONER. The policy was to keep the price uniform throughout McGavin's?

A. Yes, through the Association.

Q. MR. LOGAN. And uniform throughout the trade?

A. Yes.

Q. And the Association from time to time, set the minimum retail price, and the minimum wholesale price?

A. Yes.

(Evidence, Edmonton, pp. 92-93)

1. Agreements on Wholesale and Retail Prices

The agreements and arrangements fixing a common wholesale price or a retail price or both and designed to lessen competition by eliminating price as a factor take the form of both actual and tacit agreements, or, as the bakers prefer to refer to them, "understandings". Some written agreements were produced in evidence and the existence of other agreements is established by correspondence, by minutes of meetings of the Association, and by testimony. They show that the policy of setting uniform prices dates from at least 1935.

The minutes of an executive meeting of the Alberta Bakers' Association held in Calgary on January 2, 1935, include the following item:

"The Secretary reported that commencing January 2, 1935, prices had been established in Lethbridge as 7 cents, 8 cents and 8½ cents. Also in Drumheller the price of cheap bread had been raised from 5 cents to 6 cents.

A discussion as to the country situation followed and it was decided that a meeting of the shipping bakers be held on Thursday, January 10 at 3 p.m. in this office, to be followed by a general meeting with the country bakers of the Calgary district on January 23 with the view of establishing joint action as to conditions for the future."

(Exhibit 345)

A circular dated July 3, 1935, addressed "to all Edmonton Bakers", and signed on behalf of the Alberta Bakers' Association Inc. by H. H. Reed, assistant secretary, reported in part as follows:

"We have been trying to get a stabilization of prices in this city, and have been working on this for a month. It has been impossible to get signatures of all the bakers in the last week as some of them have been out of the city on business for past two weeks.

However, your secretary has been able to have talks with individual bakers regarding their ideas on bread prices, and can now report progress. As advised, the price move for stabilization will not go into effect till a general meeting of all bakers in this city has been called. . . .

IN THE MEANTIME PRICES REMAIN WHERE THEY WERE, *BUT* WE WILL HAVE A LASTING STRUCTURE IN REGARD TO PRICES IF WE CAN GET EACH BAKER'S CO-OPERATION."

(Exhibit 73)

In his evidence on his activities as secretary of the southern division of the Association from 1936 to 1939, Mr. George Weir said:

Q. You made efforts to stabilize the price at Medicine Hat?
A. True.
Q. And you made efforts to stabilize prices at Lethbridge?
A. Yes.
Q. And the same is true of Calgary?
A. Yes.

* * * *

Q. At the time you were Secretary, there were certain agreements made, with reference to prices and zones?
A. I would say to prices, not to zones.

(Evidence, Calgary, pp. 309-310)

On September 5, 1936, Mr. Weir wrote Mr. W. D. King, Deputy Minister of Trade and Industry, as follows:

"As you are aware we were able to effect an all around increase of one cent per loaf on August 20. This increase has worked out very satisfactorily with the exception of one or two instances where we have had a very considerable amount of trouble with the Palace Bakery in the City Hall Market and with Palace and McGavin's in Nagler's.

The position is this; when the increase became effective the Palace agreed to sell bread in the Market at exactly the same price at which the bread of the large bakers was being sold out of stores. This was done for one day and then the manager of the Market demanded that the two bakery stalls there should sell bread at the same price as that at which the east end bakers were selling. The manager of the Market presented an ultimatum to the Regal and Palace so an emergency meeting was called to decide what should be done.

The outcome of the meeting was that both stalls should be allowed to purchase a small quantity of the cheap bread from Old Country Bakery to sell out of the Market but instead of doing this Palace went to the Paper Supply House and purchased a quantity of Sunrise wrappers (Old Country Wraps) and used the regular Palace bread."

(Exhibit 333)

It should be noted that the increase of one cent per loaf to which Mr. Weir refers in the foregoing letter is described as "an all around increase", and that it apparently became effective for all bakers on the same day, that is, August 20, 1936. The subsidiary price agreements in order to make the increase fully effective should also be noted as illustrating the policy of maintaining uniform prices and lessening competition.

On June 15, 1936, an agreement fixing bread prices was signed by twenty Edmonton bakeries. This agreement fixed wholesale and retail prices out of stores and off wagons, "bobtailers" prices, and shipping prices to country points, and fixed penalties and provided sanctions against bakers violating its provisions. It reads in part as follows:

BREAD PRICES EFFECTIVE JUNE 15, 1936

Out of Stores	*Whsale*	*Retail*
Canadian Bakeries Ltd. and McGavin Ltd. Primary Loaf	07½c	09c or 3 for 25c
Canadian Bakeries Ltd. and McGavin Ltd. Secondary Loaf	06½c	08c or 2 for 15c
Edmonton City Bakery Ltd.	06½c	08c or 2 for 15c
All Other Bakeries	06 c	07c or 3 for 20c
Wagon Prices to Private Homes		
Canadian Bakeries Ltd. and McGavin Ltd. Primary Loaf		09c or 12 for $1.00
Edmonton City Bakery Ltd.		09c or 13 for $1.00
All Other Bakeries		08c or 14 for $1.00

NOTE: Canadian Bakeries Ltd. and McGavin Ltd. agree not to sell their secondary loaf off their wagons to private homes or boarding houses.

If any store refuses to maintain the above "out of stores" retail prices, then it shall be at once reported to the Secretary of the Association, who shall investigate within three days, and if the complaint is found to be correct he shall

notify all Bakers, each of whom hereby agree not to sell further supplies of bread or bakery products to such store breaking the price until such store has given a written undertaking to the association to maintain such price schedule as then shall be in effect.

"Bobtailers" Prices

Bobtailers shall not pay less than 06c per loaf for any loaf.

Bobtailers must not sell to stores, cafes or institutions in the City of Edmonton for less than the above wholesale prices for Baker's Grade of bread bought.

Bobtailers must not sell to private homes or boarding houses in the City of Edmonton at less than the above "wagon prices" for Baker's Grade of bread bought.

Bobtailers must not sell to COUNTRY stores, cafes or institutions outside Edmonton city limits at less than 06½c per loaf delivered.

NOTE It is hereby agreed that if any Bobtailer refused to maintain the above schedule of "Bobtailers" prices, then ALL BAKERS will refuse to supply such bobtailer with further supplies of bread or bakery products.

Shipping Prices to Country Points

MINIMUM PRICE FOR ALL BREAD BY ALL BAKERS..... 06c per loaf.
(F.O.B. EDMONTON, ALTA.)

Where any bread is being shipped to "flag stops" the charges which are prepaid shall be added to the invoice and paid for by the country customer. ALL BREAD DELIVERED BY BAKERS' TRUCKS OR BOBTAILERS TO COUNTRY ACCOUNTS OUTSIDE THE EDMONTON CITY LIMITS MUST NOT BE SOLD AT LESS THAN SIX AND ONE-HALF CENTS (06½c) DELIVERED.

(Exhibit 18)

The foregoing agreement was revised at a meeting held on November 30, 1936, and attended by nineteen Edmonton bakers. The minutes of the meeting, to which a price schedule is attached, report that "the following schedule of prices was unanimously agreed on", and that:

"It was further unanimously agreed that the city prices should go into effect on the morning of December 1, 1936, and the country prices should go into effect on Thursday, December 3, on all shipments made that day and thereafter."

(Exhibit 4)

The minutes of a meeting of the Association held in Calgary on February 16, 1937, report that:

"One of the large retail organizations had commenced to sell bread at less than the regular minimum price but the Secretary reported that we were able to bring them back into line."

(Exhibit 7)

The minutes of a meeting of the Association held in Calgary on February 23, 1937, report that:

"It was decided that the price of hot cross buns should be the same as last year, that is, 25c off wagons and 23c or 2 dozen for 45c out of the Chains, the Secretary to see Safeways, Regal, Crescent, Eatons, and Friskins."

(Exhibit 8)

The minutes of a meeting of the Association held in Calgary on March 23, 1937, report that:

"The Secretary visited Red Deer with Mr. Nelson and we were able to arrange for a price increase in that City."

(Exhibit 10)

The same minutes also report that:

"Some consideration was given to the matter of a price increase and while it was agreed that it was needed in view of increased costs nothing definite was done. It was left to the Secretary to see exactly what the feeling of the others is in this regard."

The minutes of a meeting of the Association held in Calgary on April 27, 1938, report that:

"The matter of cheap cake prices was considered and it was recommended that as a start we endeavour to eliminate the 15c layer cake which each baker has been selling for some time and which is a completely non-profitable line. . . . . .

Several of the members expressed the opinion that the Model Bakery had not lived up to their agreement which was to discontinue the sale of bread to certain stores at a cut price. The Secretary was instructed to take this up with Mr. Nelson and report to the other members."

(Exhibit 11)

With reference to the decision on cake prices, Mr. Alloway, formerly of McGavin's, said in evidence:

Q. Looking at the bottom of page 2, there is a Minute as to the elimination of cheap cakes?

A. Yes.

Q. What does that mean?

A. To raise the price level of cakes.

Q. By eliminating cheap price cakes?

A. Yes.

Q. That was agreed to at the meeting?

A. Yes.

(Evidence, Edmonton, p. 105)

On July 2, 1938, Polly Ann Bakeries, operated by Safeway Stores, sent the following circular "To the Trade":

"In pursuance of an Agreement entered into between the Master Bakers of the City of Edmonton (Wholesale Shippers) we wish to advise that commencing immediately all shipments of bread will be made at a price of 6½c f.o.b. Edmonton.

You are no doubt aware that for many years past the bread industry in the City here has been in a very chaotic state and it is in an endeavour to restore a fair trade policy to the industry that this Agreement has been entered into.

In notifying you we ask your kind consideration and co-operation, and we also suggest that a minimum resale price of not less than 3 loaves for 25c be maintained at all country points.

General price levels are held in the City at 2 loaves for 17c, which is approximately the same figure, so that you will be able to maintain a competitive basis with City stores."

(Exhibit 72)

In August, 1938, the price of bread was reduced by one cent by agreement among the bakers of southern Alberta. The comments of Mr. Weir, secretary of the southern division, in a letter to the secretary of the Master Bakers' Association, Vancouver, dated August 20, 1938, are of interest:

"We are at the moment suffering the same pains as apparently the Industry went through just before the decrease in your City. Due to the continued downward trend in wheat and flour prices, it has been extremely difficult to maintain a uniform structure, and really when we consider that there has been a drop of some $2.20 per barrel on flour, there is justification, at least in this part of the country, for a reduction in bread prices. What with the agitation on the part of the City Council, our chain stores ready to break away at any moment, and some of the cheaper bakeries just itching to widen the spread between their price and that of the larger operators, there is bound to be a change almost immediately. As a matter of fact we have tentatively arranged to make a uniform reduction of one cent throughout the whole of the southern part of the Province to become effective on August 29.

It is my earnest hope that the day may soon come when we as an Industry will be able to run our own affairs without civic or large store domination. In the meantime, however, I guess we will just have to keep up the good work and grin and bear it."

(Exhibit 341)

Bakers' meetings were held in Lethbridge on August 25, 1938, and in Medicine Hat on August 26, 1938, at which agreements were reached as to the new prices and the dates on which the reduction was to become effective. (Exhibit 316). It may be noted that the price of flour which had advanced during 1936 and the early part of 1937, reached a peak in July, 1937, and thereafter declined substantially as the letter quoted above indicates. The decline continued after August, 1938, on into 1939 and it was not until the outbreak of war that the trend was reversed.

On September 9, 1938, Mr. Simmonds notified Mr. W. D. King, Deputy Minister of Trade and Industry, as follows:

"The wholesale COUNTRY SHIPPING prices for bread will be as follows, as from the 15th inst.:

Group 1	McGavin Ltd. Canadian Bakeries Ltd. Edmonton City Bakeries Ltd.	6½c fob City
Group 2	Safeway Stores Ltd. Alberta Bakery Ltd. Stinson's Bakery	6c fob City

Edmonton City prices will be as heretofore."

(Exhibit 75)

To maintain the agreed prices it was apparently Mr. Simmond's function to police the bakers in the northern part of the province. For example, on September 30, 1938, he wrote to a baker in Vegreville, Alta.:

"Confirming the arrangement made with you, it is understood that you will not allow your sale of Bread under the present set-up to affect the Country Shipping Schedule as now constituted.

This means that Edmonton City Bakery bread price is maintained at SIX AND ONE HALF CENTS F.O.B. THE EDMONTON PLANT."

(Exhibit 77)

On March 6, 1939, Mr. Simmonds wrote to a baker in Elk Point, Alta.:

"You are right in assuming that for the protection of every member of the trade, large and small, I have been endeavouring to maintain an equitable price structure—fair to both the consumer and the Baker, and some success has been achieved. . . .

Please give me specific information as to who is quoting lower prices, and what the prices are and I will take the matter up immediately."

(Exhibit 79)

On June 22, 1939, the price of bread in northern Alberta was uniformly reduced by one cent per loaf with the drop in the price of flour. This was more than a year after the substantial decline in the price of flour had commenced. Following the outbreak of war, and presumably because of the rise in the price of ingredients and prospective increased costs of labour, the price was uniformly increased by one cent in November 1939. A baker in Wainwright, Alta., apparently felt that the price should be reduced rather than increased. In a letter dated November 24, 1939, Mr. Simmonds wrote to him as follows:

"I understand that it is your wish that the price of bread be lowered instead of increased notwithstanding that you have to look forward to a period of steady ingredient rise.

This Association has managed to make things a little easier during the past year, for the smaller Baker who has complained bitterly that the larger Plants have depressed prices so that it is impossible for him to make a living. We have agreed on a price differential between the larger Bakers and the small local bakeries of one half cent and I am suggesting to you that it would be entirely in your own interest to conform. By cutting the price now you may be able to increase your volume but you will lose it just as soon as the larger shipper gets wind of your motive.

If you persist in maintaining a lower level then the Association cannot object to the larger shippers cutting under you.

I am sure if you give the matter a little thought that you will co-operate in the interests of all the small local bakers who are trying to make a living."

(Exhibit 87)

In a letter of November 30, 1939, to a baker in Bashaw, Alta., Mr. Simmonds complained that:

"We are experiencing some difficulty with a few of the country Bakers in getting them to raise their prices in proportion to the others."

(Exhibit 84)

The effects of the Association policy on smaller bakers and on prices were stated as follows by a country baker:

Q. You have the feeling they might undersell you or put you out of business, has anyone suggested that might happen?

A. Yes.

Q. Who has?

A. The merchants have, we have been talking about that, the merchants feel if we did undersell we might have a bread war.

Q. The big bakeries might put you out of business by underselling you?

A. Yes. If the merchants and myself got together, I could produce my products at a reasonable margin and I could sell it for less than two for a quarter.

Q. The situation then is this, the public doesn't really have to pay high prices for some of the products which they are buying?

A. That is right.

Q. And you have the feeling that you have to maintain the prices which the Association has set?

A. Yes.

Q. Or perhaps I should say, at the price which the association likes?

A. Yes.

Q. For that reason you are selling to the public at a higher price than you otherwise might be selling to them?

A. Yes.

(Evidence, Calgary, pp. 336-337)

On May 15, 1940, Mr. Simmonds sent a circular to all Edmonton bakers informing them that the Association did not desire to eliminate "healthy competition", but aimed to foster "good honest competition". The circular continues:

"So that in no true sense can the word 'Combine' be applied to the activities of your Association except in so far as we do COMBINE under the BREAD ACTS and the INDUSTRIAL STANDARDS ACT to protect the consumer and the worker.

And there is no price control other than an understanding as to what is a fair MINIMUM enabling the HONEST EMPLOYER to operate under the conditions laid down in the above mentioned Acts of Parliament."

(Exhibit 88)

In the same circular Mr. Simmonds informed the bakers of the formation of the Baking Industry Committee, which included Mr. Simmonds as representative of the Association, representatives of the other bakers and Safeway's, of the Alberta Federation of Labour, and of the Provincial Department of Trade and Industry. Mr. Simmonds did not disclose in his circular the reason for setting up this Committee, but he did state the reason with considerable pride in a letter of April 28, 1941, to Mr. F. A. Wilson, secretary of the Master Bakers' Association, Vancouver:

"I laid the foundation for all this over a year ago when the Safeway withdrew from our Master Bakers' Association on the plea that there was some danger that they might be drawn into 'combine' charges inasmuch as we arranged prices within our body and if all Bakers were members then it amounted to a combination or conspiracy to set prices. This of course was only an excuse to get away from many restraining or controlling influence. My counter move was made when shortly after they had taken this action they notified me that their prices would be reduced the following week. I arranged a delegation and requested the Government to set up a Baking Industry Committee on which all parties were to be represented.

The Committee was formed, and comprised two members from Safeway, one from the Trades and Labour Council, one from the Government, one from the larger bakeries, one from the smaller bakeries, and myself representing all bakeries. This Committee named an investigating sub-committee from its own ranks to listen to and adjust differences and complaints and it served to keep Safeway in check until just one week ago when they apparently began to chafe under continued restraint and decided to have a showdown.

It is pleasing to all of us that this machinery functioned perfectly, and was responsible for the fact that our price set-up remains unchanged after a week of strain.

Our price structure here allows Safeway Stores to sell one cent under the larger Bakers of which class we now have four, McGavin, Four X, Edmonton City, and Weston's. We class Safeway with the small Bakery group, and there are seven in their group.

City price for Class A Bakers is 8 cents wholesale to stores etc., and the stores sell at 9 cents. Our off wagon price is 10 cents. Class B is one cent lower all round. Country shipping is 7½ cents F.O.B. Edmonton, for Class A, with Class B 7 cents. We allow no multiple prices in the City, and avoid them as far as possible in the Country."

(Exhibit 90)

Mr. Simmonds subsequently confirmed the reason for setting up the Committee in his report on the history of the Association dated April 12, 1944 (Exhibit 64), already quoted herein. The purpose was to strengthen the hands of the Association in maintaining uniform prices. While insisting in evidence that the Committee is separate from the Association and is still in existence, Mr. Simmonds admitted that it has not held a meeting since 1943. The evidence indicates that the Committee was in fact the Association in another form intended to exercise control over all the bakers, including Safeway, for the more effective fixing and maintaining of bread prices by giving it the appearance of an agency sponsored by the Provincial Government.

The minutes of the first meeting of the Committee, dated May 3, 1940, report that "the following rules in regard to advertising, prices, etc. were unanimously agreed to", and amongst these "rules" are the following:

"That the minimum retail price of bread in the city be 8 cents and the minimum wholesale price, 7 cents. This price change effective Monday, May 6, 1940.

That the minimum country wholesale price for the Edmonton City Bakery, McGavin's, 4 X Bakeries, and Weston's, be 7½ cents. All other bakeries 7 cents. This price effective Monday, May 13, 1940."

(Exhibit 63)

In evidence Mr. Simmonds said:

Q. MR. LOGAN. Tell us shortly, what was the Baking Industry Committee?

A. I will explain it this way. We were troubled by having certain bakers outside of the Association, for instance, we had no guarantee that all the large bakers would stay in the Association, they might secede any time; I saw a weakness there, and my sole end in view was to have an industry we could be proud of. I feel if we could get under a Code we could get a Committee together. I felt that, and my suggestion was, and I think it is a valuable one today, my suggestion was, that we would have representatives from labour, from the companies outside the Association who do not wish to come in, from the small and large bakers in the Association or outside, the Government and myself, and I also wanted to include the consumer; we couldn't find any consumer at the time who would take upon himself the responsibility of coming in.

Q. THE COMMISSIONER. Did none of the people want it?

A. Here is the point, the Government couldn't see eye to eye with me as to the value of such a Committee.

Q. Have they met you since?

A. Yes, there was a meeting roughly about April the 10th, 1940, some day in 1940. Mr. Manning was there. That is the report I gave at the meeting.

. . . .

Q. What was the purpose of the Committee?

A. The purpose of the Committee, it was really an overall Committee, covering the whole of the bread industry, Association or otherwise.

Q. Was it to set prices?

A. It may have been to set prices, we had in mind, what we had in mind was to clear up the industry. You can see in the minutes of the first meeting that was so.

. . . .

Q. Is it fair to say that because Safeway had left the Bakers' Association that the Industrial Committee was set up?

A. Partly, but the chief reason, I explained that before. I took an overall picture, not only Safeways but any other of our bakers who happened to leave the fold, it would still be an overall understanding, a protective covering, giving all the bakers whether in the Association or not a chance to speak.

(Evidence, Edmonton, pp. 273-274, 335)

With respect to the activities of the Committee, Mr. D. A. Ross, assistant general manager of Canadian Bakeries, said in evidence:

Q. The only business they ever did was this reference to Safeway's?

A. Yes, that is right.

(Evidence, Vancouver, p. 269)

The practices and policies with respect to price fixing and price maintenance in northern Alberta were very largely duplicated in the southern division of the Association. For example, in February, 1941, Mr. Ross, of Canadian Bakeries, and Mr. Wemp, of McGavin's, suspected that Mr. Libin, of Palace Bakery, was not adhering to the established wholesale price in Lethbridge. They advised Mr. Dadson, secretary of the southern division of the Association accordingly. Mr. Dadson then wrote to the manager of Canadian Bakeries at Lethbridge, on February 14, 1941, as follows:

"Mr. Ross has advised me that you are having some trouble with competitors and has suggested that I discuss the matter with you fully, so that I may be in a better position to take it up here.

I will plan to be in Lethbridge on Tuesday of next week, and go into this matter with you."

(Exhibit 368)

On the same date, Mr. Dadson wrote a similar letter to the manager of McGavin's, Lethbridge, in which he refers to Mr. Wemp as having advised him of the difficulty. (Exhibit 369).

On February 25, 1941, Mr. Dadson reported that he had discussed the difficulty with Mr. Libin, who had shown him certain records, "all of which appear to be quite in order". (Exhibit 367).

With reference to this matter, Mr. Dadson said in evidence:

Q. You evidently checked Mr. Libin's records when you arrived back in Calgary to see whether he was in order.

A. Yes.

Q. To see whether he was observing the agreement he had reached?

A. I think so, sir. To see if he was charging the established wholesale price.

(Evidence, Calgary, p. 376)

The inquiry into Mr. Libin's wholesale prices was further pursued, and on April 4, 1941, the secretary of the Lethbridge branch of the Association advised Mr. D. A. Ross of Canadian Bakeries that a meeting attended by McGavin's, Canadian Bakeries, Mr. Libin and Mr. Dadson had been held "and went into the question of bread prices at Lethbridge", and that a proposition with respect to prices was to be presented. (Exhibit 361).

When asked about attending this meeting Mr. Libin said in evidence:

Q. THE COMMISSIONER. In any event you did attend a meeting in 1941, at which time you agreed to cut out the discounts at Lethbridge?

A. Yes.

(Evidence, Calgary, pp. 386-7)

In May, 1941, the Association in Calgary was concerned with a report "to the effect that in Nanton, Alta., one grocery was offering bread both from Calgary and High River at reduced prices" (Exhibit 187). The matter was further pursued with a view to ascertaining whether the price of bread shipped from Calgary was not being maintained (Exhibits 188 and 189).

In evidence, Mr. Wemp, manager of McGavin's, Calgary, explained the policy as follows:

A. . . . they try to keep all the merchants in one town pretty well selling at the same price on recognized qualities of bread. If it was a local baker, why he sold it for whatever he wanted to. If bread was being shipped from Calgary they tried to keep it at a similar level.

Q. Tried to keep it at a similar level?

A. Yes.

(Evidence, Calgary, pp. 103-104)

On September 24, 1941, Mr. Simmonds wrote to Mr. H. S. Conrad, managing director of Weston's, as follows:

"We are faced now with a price break in Lethbridge in this Province due to the action of the Safeway Store in that City, and the reason behind it is exactly the same. Lethbridge has long maintained a price of 10 cents, from Stores and off Wagons, with a

wholesale price of 8 cents. In all our other Alberta Cities there is a price differential of one cent between Stores and Wagon delivery, and Safeway demand this, arguing that it is that much more expensive to deliver to the householder."

(Exhibit 92)

This agreement to maintain the same price from stores and off wagons was obviously without regard to the benefit to which the consumer is entitled in the form of a lower price if he purchases from a store, because the baker thereby saves expense in delivery. The same situation has prevailed in Medicine Hat. (Exhibit 177). These instances serve to disprove the bakers' contention that costs alone determine prices.

The Calgary office of the Association sent a circular to all the retail merchants on October 4, 1941, informing them of an increase in cake prices as follows:

"Due to advancing costs of ingredients Calgary Wholesale Bakers have found it necessary to revise all prices for Cakes and Sweet Goods. The advanced prices come into effect on Monday, October 6.

Will you please note carefully new prices as shown by price tags enclosed with wrapped goods or affixed to boxes. Commencing next Monday, invoices will be in accordance with such prices."

(Exhibit 318)

On October 3, 1941, Mr. Dadson, secretary of the southern division of the Association, also notified Weston's and Richardson's in Medicine Hat and Canadian Bakeries and McGavin's in Lethbridge of the increase in prices. The following is the letter to Canadian Bakeries Limited, Lethbridge:

"Enclosed is a revised list of cake and sweet goods showing retail and wholesale prices, also maximum weights adopted by local bakers this week, and effective next Monday, 6th October.

A copy is also being sent to Mr. Cranstoun, so that if thought advisable, he can interview the smaller bakers in your city in this connection."

(Exhibit 372)

On January 23, 1942, the minutes of a meeting of the southern division of the Association report the following discussion on secret rebates, which apparently were preventing the maintenance of a uniform wholesale price:

"Discussion was opened by the Chairman regarding the serious situation brought about by the use of secret discounts in obtaining of business. The matter had become so serious that premiums amounting, in some cases, as high as two cents per loaf had been reported. He pointed out that whilst the name 'secret' was used, it was common knowledge to all that no price concession was ever a secret for long, and he asked for suggestions as to how prices could be returned to a normal level and maintained there. Mr. Simmonds was asked how he engineered the correction of a similar condition in Edmonton some two years ago, and he pointed out that the matter was a very difficult one to handle, but, given the confidence of everyone concerned, quite easily done. In other words, the only difficult part of it was obtaining complete confidence. In Edmonton, all secret discounts were listed with the names and amounts of such discounts clearly stated, and these lists were handed to the Secretary for registration.

Then a letter was prepared by the Secretary, and each Company had this letter sent on its own letter-head, giving the date on which the price would be changed back to normal. All these letters were then handed to the Secretary and mailed by him."

(Exhibit 94)

On February 16, 1942, Mr. Simmonds wrote a circular to five bakers in Castor, Alta., "with regard to the disruption in the normal price of bread in your town", and advised them as follows:

"In order to avoid future differences, the writer suggests that the Merchants of your town adopt the same price schedule as practically all other towns in Alberta, namely:

Group A—City bread sold by either McGavins, Canadian Bakeries, Edmonton City Bakeries or Westons Bread and Cake—Retail 10c

Group B—City bread sold by Safeway—Retail 09c

Group C—Local bakers' bread—Retail 08c

All multiple prices such as four for 25c or four for 29c are to be discontinued.

The writer would like to see this go into effect on March 1 next, and would appreciate a line from you stating whether you are agreeable."

(Exhibit 96)

On February 12, 1942, Mr. Simmonds wrote to Mr. Conrad of Weston's that Mr. Maddison of Safeway's was threatening to reduce the price of bread on March 1, unless McGavin's and Weston's discontinued certain advertising offering prizes. Mr. Simmonds was anxious to prevent a break in price and said:

"I would point out to you that Mr. Maddison has been seeking an excuse to break the price for some time and it is needless to say any such action will receive the approval of the War Time Prices and Trades Board at Ottawa in view of their stated opinion that unnecessary advertising and frills should be eliminated. Mr. Maddison stated that he would expect some opposition by the Provincial Government, but that they would be overridden by the opinion of Ottawa. In several cases recently, we have proved that Chain Stores are looked upon very favourably by the War Time Prices and Trades Board."

(Exhibit 95)

On April 16, 1942, Mr. Cameron of Weston's wrote Mr. Simmonds to the effect that Weston's and Mr. Wemp of McGavin's had been receiving certain complaints:

"A serious situation has developed in Nanton, this matter should be dealt with at once. Bread is being sold for 9c a loaf retail.

Mr. Wemp and ourselves have been getting letters from some of the merchants in this town asking for something to be done. This is a job we consider can be handled by yourself with the help of some of the local Managers.

We promised the merchants that we would do our utmost to have the price put back to 10c a loaf.

Please advise us when you will be able to look into this matter."

(Exhibit 99)

On April 17, 1942, Mr. Simmonds replied to Mr. Cameron in part as follows:

"Have your letter of the 16th with regard to the situation in Nanton. I am coming to Calgary on Sunday next, when I will at once deal with the matter.

At the suggestion of Mr. Ross, I am bringing Mr. Kagna of the Edmonton City Bakeries Limited down with me for a meeting with yourself, Mr. Ross and Mr. McGavin. This meeting has been made necessary by continued complaints regarding the price situation in one or two towns and a sort of general feeling that now is the time to clean house."

(Exhibit 100)

Minutes of a meeting of the Association held in Calgary on April 22, 1942, include the following item:

"The Chairman suggested that the Secretary proceed to Nanton with a view to re-adjusting the retail price which had become disrupted by the action of a merchant by the name of Mr. Little, who was selling at a price 1c below the accepted retail price, 10c per loaf. The Secretary said he would proceed to Nanton on Friday."

(Exhibit 102)

In evidence on this point, Mr. D. A. Ross, assistant general manager of Canadian Bakeries, said:

Q. THE COMMISSIONER. If he was buying at a price sufficiently low to resell at a profit at 9 cents, that would be violating an understanding reached by the Bakers' Association would it not?

A. That is rather a difficult question to answer. We would, well put it this way, it is a country price, we call country prices any area where the price has not been standardized, the city prices we have attempted to standardize.

Q. Nanton would have a country status?

A. Yes, there are many variations in the country.

Q. Wouldn't this indicate an attempt to standardize prices out of the city?

A. Yes, definitely.

Q. If Little was selling at a lower price, either he was prepared to take a smaller profit because he in turn purchased at a lower price, and he would be violating an understanding as to the price at which he should sell?

A. I don't think Mr. Little or anyone else has ever been told what he must sell for. Some merchants take a higher rate of profit, we have bread sold at varying price and the cost to the merchant is the same.

Q. When this minute sets out that it was one cent below the accepted price, what does that mean, surely it means the retail price at which it was understood bread would sell?

A. That is a fair statement, yes.

(Evidence, Vancouver, pp. 262-263)

On September 28, 1943, a meeting of the wholesale section of Calgary bakers discussed retail price conditions in Calgary as follows:

"The meeting opened with discussion of the retail price conditions in the City and the report by the Secretary regarding the operations of the New Central Grocery, Center Street; Mr. Simmonds said that he had finally got the man's consent to withdraw the card in his window offering 7 cent bread. Mr. Simmonds asked the members whether, in their opinion, the retail price was being maintained and Mr. Cameron voiced the general opinion of the meeting that there had been no new retail price cuts on the part of the Stores but that conditions warranted constant watchfulness on the part of the Association. Mr. Simmonds mentioned that he had interviewed Mr. Conn of Safeway who expressed himself as being satisfied for the moment with bread operations."

(Exhibit 114)

The price situation in Calgary is also referred to in a letter from Mr. Wemp, manager of McGavin's, to Mr. Simmonds, dated October 27, 1943, in which a complaint is made with respect to cut prices offered by Bryce's Bakery, managed by Mr. Hannah. The letter says in part:

"The Golden West and ourselves are rigidly maintaining the prices but we understand that in quite a few instances the Palace and Four X have followed Bryces down in prices. If this condition is allowed to continue, it is our opinion that it will not be long before there will be a general reduction in the price of bread in Calgary. This, of course, would be disastrous and in my opinion, senseless move in view of the fact that it has taken years of work in the part of our Association to establish the basic price that we have today.

When you are down here to the Annual Meeting, I would suggest that you and Mr. McGavin get together on Mr. Hanna and really put the heat on so that he will either do one thing or another. It would also please us very much if you would show this letter to Archie McGavin and get his reaction to the thing as it is the writer's personal opinion that he possibly would be able to do more with Hanna than any one else."

(Exhibit 116)

This letter establishes the existence of an agreed basic price rigidly adhered to by Golden West (operated by Weston's) and McGavin's, but deviated from in a few instances by Palace and Four X (Canadian Bakeries). These deviations, however, caused dissatisfaction, and the whole question of Calgary prices and the organization of the Association (which now operated as a unit with Mr. Simmonds as secretary of both divisions) were discussed at a general meeting of the Calgary bakers held on November 2, 1943. The minutes report that:

"Mr. Ross then addressed the meeting and said that, from his observation and comments made direct to him by some Bakers, he had come to the conclusion that there was dissatisfaction in some quarters as to the efficiency of the Provincial Association's setup in dealing with local matters. He said that both he and Mr. McGavin were more or less responsible for the formation of the larger body fusing the Northern and Southern local Associations. He was still of the opinion, and maintained that it had been clearly proven, that the move had been a good one and of great value to the Alberta Bakers, large and small. If, however, some Bakers had cause for complaint, now was the time to bring it out clearly in order that some remedy might be found; would the Members responsible please place their cause before the meeting? . . .

Mr. Ross very emphatically stated that if the Members were all agreed that the price conditions could not continue without danger, then now was the time to put the house in order. Insofar as his company was concerned they had been ready for some time to place all their cards on the table, in fact, full knowledge of all discounts allowed by his company had been given to Mr. Simmonds and he had heard other Members state at previous meetings that they were ready to do the same thing. Unfortunately the problem was not a simple one in view of the Wartime Prices and Trade Board restrictions but Mr. Simmonds had been in touch with the authorities and it could be left to his discretion how far they could go. If, as some Members had suggested, it was necessary to have another man in Calgary then why not get down to brass tacks and get the thing arranged?

Mr. McGavin stated that he was quite in agreement with Mr. Ross and that in his opinion the direction of any changes should be in the hands of Mr. Simmonds who had had many years experience. The Edmonton Bakers went through a similar period of cutting out discounts two or three years ago and the price structure since then, under Mr. Simmonds, had been strictly adhered to; minor troubles cropped up

from time to time but were easily adjusted. His company had found that the cutting out of secret discounts had resulted in a saving of one-half cent a loaf and he felt sure that the other companies concerned could say the same thing, apart from the freedom of danger of price wars which always occurred from secret discounts and other forms of price cutting. He felt that the status of Mr. Simmonds should be that of one of ourselves; he personally had always felt that he was dealing with a friend of the Industry with the best interests of the Industry in mind at all times. He would go on record as stating that he would be in favour of putting a new man in Calgary on the understanding that the whole Province would still be under the direction, for Association policy purposes, of Mr. Simmonds; the wisdom of having one office in touch at all times with the Government Departments had been of material benefit in the past and he could see no reason why any change should be made in that respect."

(Exhibit 119)

The meeting concluded with a decision to appoint a new man as secretary in Calgary who would work under Mr. Simmonds "in regard to the general policy of the Association."

The alleged "unfair business practices" of Calgary bakers is again referred to in an inter-office communication, dated January 18, 1944, from Mr. W. M. H. Treece, manager of Weston's in Medicine Hat, to Mr. Harry Bird, who had been appointed secretary of the southern division of the Association. The complaint was that some Calgary bakers were shipping bread to stores in Medicine Hat which resold it at 9 cents per loaf as against the local price of 10 cents. Mr. Treece said:

"We feel that Calgary Bakeries shipping bread into Medicine Hat and allowing it to be sold at 1 cent less than local bread is a very unfair business practice as it tends to make the local people feel that we are holding out on them because if bread can be sold at that price shipped all the way from Calgary why can't we do it. As this is the right time to be firm on prices let's cut out unfair business practices for the good of the baking business."

(Exhibit 324)

On January 20, 1944, Mr. Bird replied as follows:

"Thank you for your letter of January 18th, in which you outlined the price structure now existing in Medicine Hat as a result of Calgary firms shipping to Medicine Hat, and apparently under-selling you bakers established in that city. I will take this matter up with the boys here in Calgary at the earliest opportune moment."

(Exhibit 325)

The evidence of Mr. Treece in regard to this correspondence establishes that the policy was to keep out cheaper bread in order to maintain a higher price to the consumer in Medicine Hat. He said:

Q. THE COMMISSIONER. I notice that in Exhibit 324, you complain about the Calgary bakers coming and underselling you, and you call that an unfair business practice. Why do you consider that an unfair business practice for the Calgary bread to be sold in Medicine Hat at one cent less than the local bread. I want to know that for information. I am wondering why you considered that unfair?

A. Well there is only so much business in Medicine Hat, and the larger bakeries, well equipped, they could probably turn out bread cheaper than we can at Medicine Hat. It makes the situation in Medicine Hat look as if we were selling our bread at a higher price than Calgary, whereas our costs on a smaller scale are higher than Calgary.

Q. And for that reason, you feel that your costs being higher, the people of Medicine Hat should submit to a higher price of bread. You don't think they should be able to avail themselves of bread at a lower price, just because it is produced outside of Medicine Hat?

A. Well actually the consumer wouldn't benefit in a lot of cases, it would be the storekeeper.

Q. But you say here that the storekeepers were selling at 9 cents and you insist on the local price being 10. The consumer benefited by one cent did he not?

A. Well, sir, it might be cheaper to ship to Medicine Hat than to pay the delivery wages for a lot of men who we have to maintain in Medicine Hat.

Q. Am I correct in this, it was your belief and policy to maintain a certain price in Medicine Hat which was higher and which might have to compete with similar bread brought in from the outside?

(*No answer*)

Q. Was there an understanding of some kind, that the retail price should be 10 cents?

A. The price was discussed at 10 cents, of 10 cents, and we sold bread at 10 cents.

Q. It appears clear from your understanding, that the local price in Medicine Hat should be 10 cents?

A. Yes.

Q. And this delivery of some Calgary bread, which was sold at 9 cents, was interfering with the maintaining of that price?

A. Yes.

(Evidence, Calgary, pp. 279-280)

In March, 1944, Mr. Paton, manager of McGavin's, Lethbridge, wanted some action on "disrupted" prices. In a letter to Mr. Simmonds dated March 7, 1944, he sets out the customary procedure for meeting such a situation. He said:

"I wrote Mr. Bird yesterday to try and arrange a meeting with Norman Libin, Tom Cameron, Ottie and I preceding the General Meeting, so that we might get some action on the disrupted prices down here."

(Exhibit 121)

It is well to note that the persons to be summoned to the meeting were Mr. Libin of Palace Bread, Mr. Cameron of Weston's, "Ottie", who was Mr. Clark of Canadian Bakeries, and Mr. Paton of McGavin's—all the principal bakeries shipping into Lethbridge.

In evidence, Mr. Simmonds stated that in or about April, 1944, the bread situation was very stable, and that all the prices were approximately at the same level in each district. (Evidence, Edmonton, pp. 362-363). On April 6, 1944, he was therefore able to provide Mr. R. P. Sparks, of the National Council of the Baking Industry, with a complete schedule of bread prices and weights in Alberta. The schedule showed the agreed and prevailing prices. Their uniformity is striking, and the schedule is herewith reproduced in full:

BREAD PRICES AND WEIGHTS, ALBERTA

City	*Primary Loaf*			*Secondary Loaf*			Window
	Store		Wagon	Store		Wagon	Bakers
	W	R		W*	R*		
Edmonton	8	9	10	8	7	9	9—10
Calgary	8	9	10	7	6	8	9—10
Lethbridge	8	9	10				10
Medicine Hat	8	9	10				10
Red Deer	8	9	10				10
Edmonton Wholesale Shipping Price to Country Points							7½c f.o.b. Bakeshop
Calgary Wholesale Shipping Price to Country Points							8c Laid in Destination
Weight of Standard Loaf							20 ozs.
Weight of Fancy Loaf							18 ozs.
Fruit and Nut Bread							16 ozs.

Primary Loaf —means the product of large, legitimate Bakers.

Secondary Loaf—comprises small Wholesale Bakers with two or three trucks or wagons. In Edmonton only Safeway Stores are in Secondary Group because they operate their own Bakery there.

(Exhibit 122)

On June 13, 1944, Mr. Baird, secretary of the southern division of the Association, advised Calgary bakers of an agreement fixing the price of bread and other bakery products for the Calgary Stampede, as follows:

"Re: Closing Sat. July 1.

Re: Stampede Week Prices and Operations.

It has been agreed between the following: Bryce, Canadian, McGavins, Palace, Westons.

There will be no deliveries, Wholesale or Retail, on Sat. July 1, except to the Restaurant Trade.

---

* Wholesale and retail prices appear to have been reversed. Presumably they should have been recorded as 7 and 8 cents in Edmonton and 6 and 7 cents in Calgary.

The Prices to the Stampede Grounds to be as follows:

Buns	per 100	$1.25
Bread	per Loaf	.08

Pies and other articles, Prevailing Wholesale Prices. No double size hot dog buns.

The above schedule and prices have been agreed upon in the spirit of co-operation and mutual aid so necessary at this time."

(Exhibit 411)

On December 15, 1944, the Association sought to obtain authority from the Wartime Prices and Trade Board to refuse supplies to retailers who did not maintain the set retail price of bread. Mr. Bird, secretary of the southern division, wrote to Col. C. M. Ruttan, the Board's administrator of bread and bakery products, as follows:

"Mr. R. W. Ward of Canadian Bakeries Limited has asked me, in his capacity as a member of your Advisory Board, to write you, so that you may be fully informed regarding the grave situation of the entire price structure both wholesale and retail, that exists in Southern Alberta at the present time . . .

The City of Lethbridge, due to its convenient size and due to the fact that it is served principally by four bakeries (Canadian Bakeries Limited, McGavin Limited, Palace Bakery and Weston's Bread and Cake (Canada) Limited), was chosen by the Association as a testing ground, to try and establish the cause of the presently grave price situation, and of course, from this cause, to find a remedy for it.

The results of this investigation, which included interviewing most of the leading merchants, seem to be as follows:

THAT the retail and wholesale prices of bread are inescapably joined;

THAT in the City of Lethbridge, an 8 cent wholesale and 10 cent retail price structure existing from November, 1939, to on or about September, 1941, was shattered by the Safeway Stores Limited, breaking this price, and selling 'name brands' of bread at 2 loaves for 17 cents. Other merchants, to combat this, finally were selling bread this spring at 3 loaves for 25 cents . . .

The merchants (with the exception of Safeway Stores Limited), therefore felt that a stable resale price of bread was a MUST.

Their attitude on the sale of the Safeway Stores Limited own brand of bread 'Polly Ann' seemed more than fair. They would, of course, like to see the price of this bread stable also, as they felt that the interests of any community would be best served thereby, but they stated, almost without exception, that if the Safeway Stores Limited still felt compelled to sell their own brand at less than the established price for 'name' or advertised brands, that it would not meet—at the present at least—with any serious objection from them. Their only proviso was, as pointed out in my brief to Mr. Campbell, that

1. The Safeway Stores Limited maintain the price of any 'name brands' or any national or locally advertised brands of bread at the price established as being just and fair, and being sold at that price by the majority of the other retail merchants.

2. And most importantly, that if the Safeway Stores Limited did not maintain this price, that the bakers supplying them with this bread, be enabled to refuse to offer them their merchandise for resale through their stores . . .

As you have undoubtedly assumed by this time, our reason for coming to your Board with this matter, is the regulation which states, that a manufacturer must continue to supply a retail with any commodity in 'short supply' or a commodity such as bread which is vital to the national health. We hereby submit that bread is not in 'short supply' and that inasmuch as the Safeway Stores Limited can supply their own customers with bread from their own bakery, that we would therefore, not be depriving their customers of the ability to purchase bread.

As the time limit is extremely important if a price break is to be avoided, due to the Safeway Stores Limited now selling their own bread at 2 loaves for 15 cents, plus still having the right to sell 'name brands' in competition with the other stores, that are trying to maintain a proper price, may we respectfully request an immediate answer, if one has not already been given on our submission as presented to your Board through Mr. Walter S. Campbell."

(Exhibit 412)

There is no evidence that the authorization requested by the Association was granted by the Board.

On February 28, 1945, Mr. R. W. Ward, president and general manager of Canadian Bakeries Limited, wrote to Mr. W. E. Gordon, general manager of

Purity Baking Co. Ltd., Toronto, which operated Bryce's Bread in Calgary, to the effect that Mr. Hannah, manager of Bryce's, "was in my office this morning, and stated definitely that he was not prepared to come along with the rest of the Association to stabilize" the wholesale price in Calgary at this time. Mr. Ward added:

> "We have, since my meeting with Hannah, had a meeting of the Association and they insist that I write you, and get your confirmation of Mr. Hannah's stand, and they want YES or NO by March 5.
>
> Mr. Hannah also stated his stand to Mr. Bird, the Secretary of the Association, in my presence."
>
> (Exhibit 303)

Mr. Gordon replied on March 3, 1945, to the effect that while he was certainly in accord with "stabilization", he would in the meanwhile support Mr. Hannah and would discuss the matter when he came out West. (Exhibit 304). Mr. Ward sent a copy of Mr. Gordon's reply to Mr. Cameron of Weston's, Calgary (Exhibit 305), and on March 12, 1945, Mr. Cameron forwarded Mr. Ward's correspondence to his senior officer, Mr. Conrad, vice-president and managing director of Weston's. (Exhibit 353).

The foregoing correspondence establishes that members of the Association, with the exception of Bryce's Bread, agreed to stabilize the wholesale price of bread in Calgary, and that Mr. Ward, acting on behalf of the bakers in the Association, sought to induce Mr. Gordon, whose company operated Bryce's Bread, to exert his authority over its manager, Mr. Hannah, in order that Bryce's Bread would fall in line with the other Calgary bakers in adopting a uniform wholesale price. In evidence, Mr. Bird said that Mr. Hannah refused to eliminate certain discounts and rebates which had the effect of reducing his wholesale price. (Evidence, Vancouver, p. 213).

In 1946 the Association decided to ask the Wartime Prices and Trade Board for authority to re-establish and maintain a wholesale price of 8 cents in Calgary. On January 10, 1946, Mr. Bird, on behalf of the Association, wrote to Col. Ruttan as follows:

> "The established price of bread from the bakery to the retailer has been eight cents for the last seven years.
>
> The only *recognized* exception to this price, was a volume discount given to chain stores and large volume individual merchants.
>
> An exception but not *recognized* were certain secret discounts which in the main have sprung up during the last three years.
>
> Out of approximately three hundred retail merchants in the City, only six were receiving the recognized volume discount.
>
> Out of those retail merchants claiming secret discounts, under ten claim they were receiving said discount during the basic period.
>
> A survey, independent of any bakery, conducted among the majority of the retail stores in Calgary, showed that: . . .
>
> As a result of this survey, the members of this Association are of the opinion, that since fewer than sixteen merchants out of three hundred are presently getting a price less than eight cents, and do less than ten per cent of the total bread business in this City, it is therefore the unanimous opinion of the members, that in the interest of stability in both the retail trade and the Baking Industry, that—
>
> 'The Wartime Prices and Trade Board grant this Industry, the right to re-establish the eight cent wholesale price of bread to *all* retail merchants in the City of Calgary'."
>
> (Exhibit 413)

In other words, the Association requested the Board to allow the bakers to increase the wholesale price above the price in effect during the basic period, which constituted the ceiling price, to those buyers who had been enjoying volume discounts and were thereby paying a lower price during the basic period.

With reference to the memorandum submitted to Col. Ruttan, Mr. Bird said in evidence:

> Q. That sets out the fact of trying to level the wholesale price in Calgary to an 8 cent price. You wanted permission to raise everybody to 8 cents?
>
> A. Yes.
>
> (Evidence, Vancouver, p. 217)

In the course of the hearings on the alleged bread combine, the bakers at times denied the existence of "agreements", although they admitted certain "understandings". Apparently Mr. H. E. Wright, of Canadian Bakeries Limited, had no doubt that agreements, in the true sense of the word, existed, and on January 22, 1946, he recommended that these agreements be set up in memorandum form. He wrote Mr. Bird, secretary of the southern division, as follows:

> "You will recall that some time ago I sent you a memorandum of a meeting that was held at the Coast with notation as to the decisions arrived at. At that time I suggested that it would be a good idea if we draft up a memorandum of agreements that we had arrived at in the past and that we send out a typewritten memorandum to all members of the Association on any future decisions we might arrive at in meetings. I have just had an instance of the importance of these memorandums and I wish now to make a recommendation that all agreements arrived at in the past and all future agreements or decisions arrived at at our meetings be typed and sent out to each member immediately on completion of the meetings. Please bring this up at our next meeting."
>
> (Exhibit, 220)

On March 15, 1946, a meeting of the southern division of the Association adopted a code entitled "Agreement Now in Force" and marked "Vitally Confidential". It included the following provisions:

> "It is understood and agreed and passed by a majority vote at this meeting.
>
> THAT any agreement now in effect, or new agreement passed by a majority vote of this Association, becomes part of the 'By-laws, Constitutions and Code of Ethics of this Association'.
>
> It was also understood and agreed,
>
> THAT all bakeries be held responsible for any statements or actions of their agents or employees, as they relate to the above agreement.
>
> In the interests of the foregoing commitments, the following notice was voted unanimously:
>
> *Notice*
>
> Any member of the Association breaking these Agreements, or the intent thereof;—At a majority meeting of the membership, be censured, or suspended, or on a repetition, recommended to the Association for expulsion.
>
> To make the above workable and beneficial, all members must observe the intent, not the technical letter of the law."
>
> (Exhibit 180)

On May 7 and 8, 1946, a formal "Code of Business Ethics of the Alberta Master Bakers' Association" was approved and passed by the Association at a Western Conference of Bakers held in Calgary. It included the following provisions:

> "BREAD PRICES Only bread of one price will be produced in any bakery.
>
> RESALE PRICE The agreed price of Bakery Products shall be upheld.
>
> DEFINITION OF A 'DEPOT' A depot is a distribution point, where no bakery or shop of the company establishing same exists.
>
> (*a*) Before a depot can be established three months notice of intent must be given to the Association.
>
> (*b*) If a depot is established its activities shall be confined to the limits of the town or city in which it is established.
>
> (*c*) Depots shall not be used as trucking or reshipping points.
>
> AGREEMENTS Any agreement now in effect, or new agreement passed by the majority vote of the Association, becomes part of the 'By-laws, Constitutions and Code of Ethics of the Association'.
>
> NOTICE Any member of the Association breaking these Agreements or the intent thereof shall:—At a majority meeting of the Membership, be censured, suspended, and/or on a repetition be recommended to the Association for expulsion.
>
> To make the above workable and beneficial, all members must observe the intent, not the technical letter of the Agreement."
>
> (Exhibit 32)

The minutes of the Western Conference indicate that the smaller bakers in the Association were not entirely satisfied that the Association was operated in their interests, as appears from the following extract:

> "It was also agreed that the smaller bakeries needed the help of an Association more than ever before, and considerable time was spent by the members representing the larger

concerns, endeavouring to point out to the smaller bakers, that they were in the main endeavouring to be of assistance, not of harm to the smaller members of this Industry."

(Exhibit 416)

On May 23, 1946, Mr. Treece, manager of Weston's, Medicine Hat, advised Mr. H. S. Conrad, vice-president and managing director of Weston's, of a price agreement in Medicine Hat to be handled in the same manner as the agreements in Calgary and Lethbridge. He stated:

"On Monday evening of this week another meeting was held in Medicine Hat with Mr. Libin and Mr. Hannah representing the Palace Bakery, Mr. Richardson, Mr. Morrison, Mr. Bird and myself in attendance. At this meeting it was unanimously decided that the retail price of bread be 10c as at present but with no exceptions, and that the wholesale price should be 8c per loaf the same as Calgary and Lethbridge. Without naming any stores our opposition had prices that they admitted ranging from 7½ to 8½; whereas all our prices are strictly 8½ or 12 loaves for $1. At this meeting it was decided that we all list on a plain sheet of paper the names of all wholesale outlets that we serve, the price and the name of the Manager or owner so that Harry Bird can check them over and around June 8 he will come to Medicine Hat and personally contact every wholesale outlet. This will then be handled in the same manner as Calgary and Lethbridge which have worked out very well. We feel that we have at last accomplished something as this will be the first time that we have ever had a chance in Medicine Hat to sell on an even footing with our opposition."

(Exhibit 327)

In evidence on this communication, Mr. Conrad said:

Q. You are Mr. Treece's superior officer?

A. Yes.

Q. When he is reporting this to you, is he doing that in the course of his duty as your manager at Medicine Hat?

A. He is reporting to me what sounded to him important. He has a little branch to look after, something which may appear important to him may be second rate or third rate to me.

Q. In making these arrangements he was not exceeding any authority?

A. No.

Q. You never told him that it was not within his competence to make such arrangements, dealing with both the wholesale and retail price?

A. No.

(Evidence, Winnipeg, p. 53)

On August 12, 1946, Mr. Simmonds forwarded a list of prevailing retail bread prices in Alberta to Mr. R. P. Sparks, of the National Council of the Baking Industry in Ottawa. The list contains the following note:

"We have established over the years a price differential of one cent between the large machine bakeries and the very small hand operated bread wholesalers, hence the price range shown.

Due to the sales policy of the Safeway Stores it has been necessary to group them with small shops and for purposes of classification we list the nine-cent loaf as 'Primary' and the eight-cent loaf as 'Secondary'. The volume enjoyed by the Secondary Group is approximately 8 per cent of total bread sales in Edmonton and Calgary."

(Exhibit 127)

Mr. Simmonds here admits the establishment of uniform prices, and further establishes the fact of the overwhelming preponderance of the "primary" bakers when he points out that the volume enjoyed by the "secondary" group is only approximately 8 per cent of total bread sales in Edmonton and Calgary. The "primary" group consisted of Canadian Bakeries, McGavin's, Weston's and Palace Bread.

Towards the end of 1946 the bakers began jointly to consider the probable effects on prices of the prospective removal of the Government subsidy on flour. At the semi-annual general meeting of the Association held in Edmonton on November 13, 1946, "it was decided to seek information by means of a questionnaire as to how much each individual baker would be affected if the price of flour went up and what increase in the price of bread he would need to maintain the same profit". (Exhibit 58). On December 2, 1946, Mr. H. E. Wright, of Canadian Bakeries, wrote to Mr. Simmonds that it would be a good

idea to prepare the public for the expected increases. Mr. Wright felt that the price increase would also afford an opportunity for levelling out all prices. He said:

> "The public could be sold on the justification of higher costs as far as the bakers are concerned. Moreover, it would give us all an opportunity of carefully studying our own costs and deciding on new prices so that all shipping, wholesale and retail prices could be levelled out."
>
> (Exhibit 129)

The policy of price-fixing and price maintenance by agreement was introduced in the years before the last war and was continued throughout the war years during the period of wartime controls and subsidies. And, as the end of these controls and subsidies was approaching, the bakers prepared through the Association to continue and did continue their long-established policy with respect to prices. Early in February, 1947, the Wartime Prices and Trade Board authorized an increase of 10 per cent in the selling price of sweet goods. Mr. Wright, of Canadian Bakeries, wrote to all his managers on February 1, 1947, with respect to this increase and advised them as follows:

> "Push this matter through with your Association. Your new prices and weights should all be in effect by Monday the 10th of February. This will give you an opportunity of obtaining labels and ironing out any of your local problems."
>
> (Exhibit 233)

On February 3, 1947, Mr. Wright reported to Mr. R. W. Ward, president of Canadian Bakeries, as follows:

> "I have been in touch with all the boys in reference to the 10% increase on sweet goods and cakes. There are a number of meetings being held the early part of this week. We expect that everybody will be taking advantage of the authorized increase by Wednesday or next Monday at the latest."
>
> (Exhibit 235)

The method of putting the price increase into effect was discussed by the retail section of the Association in Edmonton on February 4, 1947. (Exhibit 5). In his evidence on this price adjustment, Mr. Wright said:

> Q. That had to do with the changing of Wartime Prices Board Regulations, allowing you to take a ten per cent increase in Sweet Goods?
>
> A. Or to make the equivalent adjustments.
>
> Q. You asked them to push the matter through the Associations?
>
> A. I felt the information contained in this letter should be brought to the attention of everybody if they were not familiar with it. It was something that vitally concerned them, and I passed the information on.
>
> Q. You wanted stability in prices, that is why you set a definite day, if one baker sold at less he would probably get more of the business?
>
> A. Well it could easily lead to complete break down.
>
> (Evidence, Calgary, p. 211)

An Edmonton baker who was unable to give effect to the increase right across the board, said, in evidence:

> Q. THE COMMISSIONER. And did you feel that you had to explain that to the meeting?
>
> A. I felt so.
>
> Q. Why?
>
> A. They wanted to know, as I didn't take advantage of the ten per cent allowed.
>
> Q. What business was it of their's?
>
> A. So there shouldn't be unfair competition.
>
> Q. The consumer might be able to buy sweet goods at a lower price?
>
> A. That is right too.
>
> (Evidence, Edmonton, p. 84)

On February 20, 1947, Palace Bread allegedly solicited business from Safeway below the established wholesale price. Mr. Wright of Canadian Bakeries wrote Mr. D. A. Ross, assistant general manager, as follows:

> "Had a Bakers' meeting yesterday afternoon and we brought to Libin's attention the fact that his Father had agreed at a meeting that none of the Bakers would solicit

business at a price below 8c. and that where the other bakeries had accounts that had been served during the price spread at a figure lower that 8c. no attempt would be made to obtain additional volume by meeting these prices."

(Exhibit 237)

On May 2, 1947, Mr. Wemp, manager of McGavin's, Calgary, informed Mr. Allan McGavin Jr. that the controversy between Palace Bread and Canadian Bakeries had been settled by a new understanding, as follows:

"The four of us yesterday morning came to some kind of a basis of a new understanding. While I am not satisfied with it in that we had to write off previous violations of our code and start out fresh, the new arrangement will be better than letting the whole situation disintegrate to a point where there would be complete chaos. One thing at least, after a lot of mud slinging, the air has been cleared, which makes it possible to go on without continual feeling of distrust. I will let you know the details later." (Exhibit 197)

Mr. McGavin thanked Mr. Wemp for his information on May 5, 1947, as follows:

"I must say that I am very pleased to hear that you had a meeting with the other people, and that you have now arrived at an understanding, and the air has been cleared for future co-operation.

I certainly hope that 4-X has buried the hatchet so far as Libin is concerned. We have always felt that it was far better to co-operate than to scrap."

(Exhibit 394)

At a meeting of the wholesale section of the Association held on April 23, 1947, presided over by Mr. J. L. Johnston, Edmonton City Baking (Weston's), and attended by Mr. C. A. Blair of Canadian Bakeries, Mr. J. P. Barberie of McGavin's, and Mr. Simmonds, "it was re-affirmed that as soon as price controls permit, all prices out of line and any rebates will be discontinued." (Exhibit 25).

In his reply of May 5, 1947, to a letter from Mr. Barberie, manager of McGavin's, Edmonton, Mr. Allan McGavin, Jr., made clear the policy of his company to discuss price changes with its competitors. He wrote:

"I talked over with Dad your letter of May first concerning the cake prices; this is something that will have to be gone into by the whole Association, and it's something that I doubt very much we would want to do." (Exhibit 36)

In evidence, Mr. McGavin said:

Q. In Exhibit 36 you refer to "Dad", who is that?

A. My father, James McGavin, the President.

Q. You said in this letter, "this is something that will have to be gone into by the whole Association"?

A. Yes.

Q. What was that?

A. As I remember it, the cake volume was slipping, and Mr. Barberie had suggested we reduce our cake prices to even nickels to increase our volume; by doing so he felt he might be able to reduce his overall costs and be able to show a better picture. I felt the whole Association should talk it over, whether or not the costs had gone down sufficiently far to be able to decrease the price of cake.

Q. Those would be the instructions, not to reduce the cake price without consulting the Association?

A. Yes, not unless he had discussed the costs with the Association.

Q. What has the costs to do with the selling price?

A. We are not supposed to talk selling prices, we were not supposed to, we were supposed to talk costs. I can't see the difference myself.

(Evidence, Vancouver, pp. 107-108)

In June 1947 a baker in Drumheller, Alberta, appeared to be dissatisfied with the Association because Canadian Bakeries had allegedly violated an agreement by establishing a truck route without giving three months' notice. Mr. Wemp, manager of McGavin's, Calgary, defended the Association in a letter to the baker, dated June 5, 1947, and set out the benefits that it had conferred, as follows:

"One thing that the Association has definitely controlled over the past years is the selling price of bread. This they have managed to hold fairly stable all over the country.

This one thing has been of very great benefit to the baking industry and if the prices were not controlled you would be right now losing more money every day than would pay your Association dues for the next five years." (Exhibit 198)

In evidence, Mr. Wemp stated:

Q. In that letter you set out that "one thing the Association has definitely controlled for the past year is the selling price of bread". Is that a correct statement?

A. I think it is in part, I think that is right, on the basis that they have tried to maintain a retail selling price.

Q. And also a wholesale price?

A. Yes, I think so. (Evidence, Calgary, p. 131)

On July 14, 1947, Mr. Alexander, secretary of the southern division of the Association, informed Mr. Simmonds that the Association had unanimously agreed to make adjustments on certain bakery prices to become effective July 14, 1947, and listed the price changes. (Exhibit 133).

A meeting of the wholesale section of the Association held on July 22, 1947, decided on new prices for sweet goods listed in the minutes, to take effect on August 1, 1947. (Exhibit 6).

In July, 1947, the bakers began to prepare seriously for the price increase which would become necessary on the removal of the subsidy on flour. The evidence establishes that from the very outset they intended to pursue their established policy of fixing the price increase and its effective date by mutual agreement. On July 22, 1947, Mr. Allan McGavin, Jr., vice-president and general manager of the McGavin Companies, wrote to Mr. Wemp, manager of McGavin's, Calgary, as follows:

"I sincerely hope that you, along with the rest of the bakers, will be able to take advantage of the increase that will be necessary because of the removal of the flour subsidies immediately upon the removal of those subsidies. I would imagine that the price you should agree upon would be an increase of 2 cents a loaf. We can't expect to run long after the subsidy is off and sell bread at the old price—I think it would be very poor psychology. The day the subsidy is removed—that is the day the price of bread should go up. I sincerely hope that the Bakers' Association will have a meeting in the not-too-distant future to plan on doing just that. Please let me have your reactions.

I understand that Alec Ross is most interested in having the price raised the following day, and I know we are."

(Exhibit 199)

On July 24, 1947, Mr. Wemp wrote to Mr. McGavin as follows:

"You or I must be psychic for I received your letter immediately after returning from a Bakers' Association meeting at which we discussed the matter of applying the price increase.

I suggested at the meeting that we should have some tentative plan worked out for applying the price increase as quickly as humanly possible after we received word from Ottawa. I also suggested that we should give serious thought to allowing the merchants in Calgary a slightly better margin than they are now receiving (which is one cent per loaf) even if we had to make our price increase a little larger to cover the extra amount going to the merchant.

It was also suggested that this would be the psychological time to clean up the country and have a flat laid in price to everyone in the country in the shipping area.

Harold Wright was not at the meeting but Galger said that he would take the matter up with him. We are planning to have another meeting yet this week to try and work out further details.

You will see therefore that your letter is not only very timely, but the majority of us here are in accord with your suggestions."

(Exhibit 200)

It should be noted that Mr. McGavin instructed Mr. Wemp that he should act "along with the rest of the bakers" and that "the day the subsidy is removed—that is the day the price of bread should go up". He also informed him that Alec Ross, assistant general manager of Canadian Bakeries, was also "most interested in having the price raised the following day". Mr. Wemp, in accordance with instructions and established practice, had already attended an Association meet-

ing and had discussed the matter with Mr. Galger of Canadian Bakeries. Mr. Wemp also thought that the opportunity now presented itself of fixing uniform shipping prices.

On July 23, 1947, Mr. Harold Wright, of Canadian Bakeries, sent a memorandum to all managers on the prospective increase in prices, urging them to have their plans ready with the minimum of delay. He asked each manager to advise him on the following:

> "How far has your local Bakers' Association gone in anticipation of the removal of the flour subsidy? Give this your immediate attention and drop a line to Mr. Ward and myself and let us have a broad outline on what you are planning to do."
>
> (Exhibit 28)

On July 23, 1947, Mr. R. W. Ward, president of Canadian Bakeries, confirmed the fact that the Bakers' Associations had made plans "to act as a body". In a letter to Mr. D. C. MacLachlan, president, Maple Leaf Milling Co., Ltd., Mr. Ward said:

> "These controls really have us guessing. We have our managers all ready for action the minute they are released. Our various provincial associations have plans made to act as a body so I do not anticipate any trouble in getting prices adjusted immediately.
>
> I hope they take in two instead of one. The public, no doubt, would go for a cent and a half without much squawk, but three cents would cut into our production to beat the band."
>
> (Exhibit 308)

It is well to note that Mr. Ward felt at this time that the price increase should be less than 3 cents, as did Mr. Allan McGavin, Jr.

On July 30, 1947, Mr. Murphy, manager of Canadian Bakeries, Lethbridge, acknowledged Mr. Wright's letter with respect to the prospective price increase, and suggested that the price at Lethbridge should be the same as in Calgary. In his letter he also stated that he and Mr. Gillis, manager of McGavin's, Lethbridge, felt that this would be a good time to straighten out the shipping price on the Coutts-Cardston Line, the effect of which would be to "give us one price for our entire territory". (Exhibit 296).

On July 30, 1947, Mr. Galger, of Canadian Bakeries, Calgary, forwarded to Mr. Ward and Mr. Wright a list of tentative selling prices which were set by an Association meeting on July 28, 1947. (Exhibit 297).

On July 31, 1947, Mr. Blair, Manager of Canadian Bakeries, Edmonton, wrote to Mr. Wright as follows:

> "At a baker's meeting held Tuesday afternoon we agreed that when the flour subsidy is removed we would make the same advances in price that you have arranged to make in Calgary, i.e. if wheat goes to the British price of $1.50 per bushel, our price will be as follows: 13 cents per loaf retail from our wagons, 12 cents per loaf from the store, 10½ cents per loaf wholesale to stores and restaurants.
>
> We believe our shipping price will be 10 cents per loaf F.O.B. Edmonton and 10½ cents per loaf on laid in line."
>
> (Exhibit 29)

On August 18, 1947, Mr. Wright replied to Mr. Murphy, manager, Canadian Bakeries, Lethbridge, with respect to the adjustment on the Coutts-Cardston Line, and set out the customary procedure for arriving at selling prices:

> "Reference to your letter of August 16 *re* prices on the Coutts and Cardston line, I think that we would be much better off if we had a uniform price throughout Southern Alberta and as near as possible, these prices should conform with the Calgary prices.
>
> As you know, our main shipping price now is 8 cents, laid in. You will recall that some months ago we had a conference in Lethbridge about ironing out shipping prices and I was very much in favour, at that time, of making all prices uniform. You will have to work with McGavin's, Westons and the Palace on this. I suggest that you write to Bob Alexander and arrange a meeting in Lethbridge of all concerned and have the matter all ironed out."
>
> (Exhibit 267)

On August 22, 1947, Mr. Murphy replied to Mr. Wright, as follows:

"I acknowledge receipt of your letter dated the 18th. With reference to the price of bread on the Coutts and Cardston lines, enclosed is a copy of letter sent to Bob Alexander. Hardly think we need have a meeting over this as McGavins and ourselves are the ones most concerned and we are agreed on the course to follow."

(Exhibit 270)

In a letter to Mr. Alexander, secretary of the southern division of the Association, Mr. Murphy wrote that he and Mr. Gillis, of McGavins, had agreed on standard prices which "would make all prices out of Calgary and Lethbridge the same". He suggested that Mr. Alexander contact Mr. Libin of Palace Bread and Mr. Cameron of Westons and advise them of the suggestion, and "that this price be levelled out at the time our bread price increases". (Exhibit 332).

On September 15, 1947, the Government subsidy on flour and the price ceiling on bread were removed. This move had been anticipated by the bakers for some months and, as has already been shown, led to formal and informal meetings, particularly among the Western chain bakeries, to prepare for the event. In evidence, Mr. Blair, manager, Canadian Bakeries, Edmonton, said:

Q. Now you say you had a meeting about the end of July, 1947, with some of the bakers?

A. Yes.

Q. Who were at that meeting?

A. If I remember correctly, Mr. Barberie of McGavins, Mr. Johnston of E.C.B. and our Secretary Mr. Simmonds. I am not positive if there was another member there, I don't recollect.

Q. What was discussed at that meeting?

A. The increased costs, also the possibility of the subsidy on wheat being removed and the increased cost of flour.

Q. What did the meeting decide?

A. Actually we didn't decide on anything, we exchanged views that if the price of wheat went to a certain price we would need a certain increase.

Q. What was the consensus of opinion, as to what the increase should be?

A. Three cents per loaf.

(Evidence, Edmonto, pp. 136-137)

Immediately upon the removal of the flour subsidy, meetings were held by the northern and the southern divisions of the Association, with the result that bread prices were uniformly increased by all the principal bakers on September 17, 1947, in Calgary and the southern territory, and on September 18, 1947, in Edmonton. The price structure before September 18, 1947, was 10 cents off the wagon; 9 cents out of stores; 8 cents wholesale in the city, and 7½ cents f.o.b. plant wholesale in the country. After September 18, 1947, the price structure was 13 cents off the wagon; 12 cents in stores and 10½ cents wholesale in the city and in the country.

It is important to note that the prices agreed upon are exactly as forecast by Mr. Blair, manager, Canadian Bakeries, Edmonton, in his letter of July 31, 1947 (Exhibit 29), to Mr. H. E. Wright, already quoted, in which Mr. Blair reported on the agreement reached at a bakers' meeting.

The evidence of Mr. Simmonds, with respect to the meeting in Edmonton was as follows:

Q. Getting back to September the 18th, 1947. You were present at a meeting immediately after September the 15th, 1947?

A. Yes, I couldn't give you the date.

Q. It was after the subsidies had been removed?

A. Yes.

Q. There were a number of bakers in your office?

A. Yes, there were, I couldn't give you the number or the names, there were some bakers in the office.

Q. Will you tell the Commissioner briefly, what took place at that meeting?

A. Well it was gathered accordingly, because I suppose the bakers were more or less scared; scared because they knew the great moment had come and they had to make

certain decisions. We had all been looking forward to it with despair for nearly a year. We knew we were going to be faced with a difficult position. The desire of the baker was to keep as low as possible, so that he wouldn't lose volume. That is the big question. The little bakers naturally want to know what the big baker is going to do. That is why, if they didn't meet me they would telephone me to enquire what was happening. The Association is naturally the centre of their business lines.

Q. What was the discussion as to price?

A. Mostly, one man would look at the other and say "what are you going to do". I of course was in the centre of it, I couldn't give them any advice, other than the fact we had discussed it through our National Council of Bakers what it might have to be. We knew the removal of the subsidy would call for a certain amount of increase, that would have to cover the increase in the price of flour. Prior to that we had been discussing the possibility of getting a rise anyway, because the costs were increasing. I don't know if I told you, I am not an expert on costs.

Q. Tell me, what was the feeling of the meeting as to price?

A. The feeling of the meeting was, we should get at least three cents.

Q. Was any date set when the increase should become effective?

A. No, except I understood, well for instance, the large bakers would want to move together. You couldn't have a see-sawing about there, it would lead to disruption, probably a bread war.

Q. Did they tell the meeting, or did they settle at the meeeting, when their price would advance?

A. No, not that time.

Q. When did they let the bakers know?

A. As a matter of fact I couldn't tell you when they did go up.

Q. They went up on September the 18th, 1947, didn't they?

(*No answer.*)

Q. You know that. Did you not know they went up the same day?

A. I might have, I did probably, I knew they would all go at the same time.

Q. THE COMMISSIONER. Why would you know they would all go on the same day?

A. It is a matter of logic.

Q. I am not logical.

A. In the industry, in the baking industry, no baker would allow another one to be a cent below him very long.

Q. In Alberta or in Canada, which do you mean?

A. I mean anywhere, you couldn't live in the baking industry. It is the most highly competitive business in the country.

Q. How highly competitive? You told me a second or so ago the price is the same?

A. I would say highly competitive, the prices stay so low, if they were any lower there would be a loss.

Q. The uniform price is determined by competition?

A. I would say so, by competition, and of course by the costs, it is the desire of all companies to operate at a fair profit.

Q. And by discussion and agreement, am I right?

A. I wouldn't say you are entirely right. It is, well naturally if I was in charge of a company I would work my figures out to a so so price; I am not going to stick my neck out before I find out from the other companies what their price is going to be.

Q. Do you feel that a uniform increase should be agreed upon at a meeting, that an increase should be agreed upon and that it should be uniform throughout the industry here. Do you think that is proper?

A. Yes, I think it is proper . . .

Q. Tell me this. Is it the policy of the Master Bakers' Association, correct me if I am wrong, is it their policy to fix and maintain a price sufficiently high to enable all the bakers to continue operating?

A. Yes, but I wouldn't say a fixed price, I would say to try and see that all bakers maintained the price, no one can fix the price in the baking industry, that is an absolute misnomer, there is no such thing as a fixed price in the baking industry, and never will be.

Q. How do you explain the 12 cent retail price then?

A. That is up to the storekeepers, maintained by them, if one storekeeper sells below there is a disturbance, they all keep in line. The same in the country.

Q. You and your membership help to maintain the price, to prevent it falling?

A. We are out to maintain a decent equilibrium, to give everyone in the industry a good standard of living.

(Evidence, Edmonton, pp. 278 et seq.)

The discussion on the price increase at the Edmonton meeting was corroborated by all the bakers in their evidence. Mr. J. L. Johnston, manager of Edmonton City Baking (operated by Weston's), said:

Q. THE COMMISSIONER. When did you first decide on the three cents increase, in the event of the subsidy on flour being removed?

A. I can't recall exactly, we anticipated it for several months.

Q. You anticipated it for several months, but the price would have to rise?

A. I wouldn't say we set any definite price, we knew there would have to be an advance when the subsidy came off, we hadn't set a definite amount, the cost was rising.

Q. Your decision to increase by three cents was only reached at the time of the meeting in September, 1947?

A. I wouldn't say that, it was probably definitely decided then, it had been discussed prior to that.

Q. I think you said the increase, so far as the big bakers were concerned, went into effect the same day, September the 18th, 1947?

A. Yes.

Q. You feel the increase was justified by the increased costs?

A. Yes, and the removal of the subsidies.

Q. You felt that then, and still feel it?

A. Yes.

Q. Did you have flour on hand?

A. Yes.

Q. How much did you have at pre-subsidy prices?

A. How much?

Q. Yes, how many weeks' supply?

A. Between eight and ten weeks.

Q. Nevertheless you felt you should increase the price on September the 18th, 1947?

A. Yes.

Q. Why?

A. Well I don't know how to answer that, we had flour there, we took the chance of it going up or down, we could have held it indefinitely and figured it as a legitimate profit.

Q. You could have waited two or three weeks?

A. Readily, yes.

Q. Was there any reason why you shouldn't wait?

A. No particular reason, no.

Q. Did the fact that your competitors were raising the price have anything to do with your raising it at the same time?

A. Certainly it would be an opportunity for it, yes.

Q. Wasn't there an agreement that you would raise it at the same time?

A. A tentative agreement, yes.

(Evidence, Edmonton, pp. 222-223)

This is important testimony. It establishes the agreement to increase the price uniformly on the same day, notwithstanding the fact that Edmonton City Baking, on the admission of its own manager, had sufficient subsidized flour on hand to last eight to ten weeks. The manager, in effect, admitted that Edmonton City Baking could "readily" have waited two or three weeks before putting the price increase into effect but for the fact of the agreement to act in combination with the other bakers.

Mr. Barberic, manager of McGavin's, Edmonton, said in evidence that Mr. Johnston suggested an increase of 2½ cents per loaf, but agreed to the 3 cent increase which was the figure desired by the others. (Evidence, Edmonton, p. 176).

Mr. Blair, manager, Canadian Bakeries, Edmonton, admitted that his plant also had a two weeks' supply of subsidized flour on hand at the time when they increased prices.

The evidence of a secondary baker in Edmonton is also of interest. He said:

Q. Was there any agreement as to the date it should increase?

A. As I recall it, I didn't increase it at the time, the large bakers did, I let it ride for a few days.

Q. What did the large bakers do, as to the time it should become effective, at the meeting, I mean?

A. I think the large bakers agreed to increase at a certain time.
Q. On September the 18th?
A. Possibly.
Q. The increase was general?
A. With a few exceptions . . .
Q. THE COMMISSIONER. Why did you wait?
A. I still had a little material on hand, and I thought we should notify the customers.
Q. You had flour on hand at the subsidy price?
A. Yes. (Evidence, Edmonton, p. 76)

The increase in bread prices effected in Calgary was similar to that in Edmonton, but was made effective uniformly by the principal bakers on September 17, 1947. The increase also became effective on the same date in Lethbridge and Medicine Hat and throughout southern Alberta. As in Edmonton, it was preceded by a number of informal meetings at which the new price was discussed and agreed upon, together with its effective date. For example, Mr. Wemp, manager of McGavin's, Calgary, said in evidence:

Q. Getting back to the time immediately before September the 17th, 1947. You as Chairman of the Calgary Association, called a meeting previously to September 17th?
A. Yes, I don't know that I called a meeting, there was a meeting.
Q. You presided at the meeting?
A. Yes.
Q. What was the business of the meeting?
A. The business of the meeting was to discuss what we would have to get extra for our bread, what we would have to raise the price of bread to.
(Evidence, Calgary, pp. 71-72)

Mr. Wemp also admitted that his plant had at least one week's subsidized flour on hand at the time the price was increased.

On September 22, 1947, Mr. R. W. Ward, president and general manager of Canadian Bakeries, wrote Mr. D. C. MacLachlan, president of Maple Leaf Milling Co. Ltd., as follows:

"You will be interested in knowing that bread prices have increased in all plants approximately three cents per loaf. All except Trail, who went up this morning, increased their's on the morning of the 18th. So far, complaints have been few and production is holding. The public were pretty well prepared for the increase.

We had practically twenty days supply of flour on hand in all our branches when the price went up." (Exhibit 314)

On October 2, 1947, Mr. H. E. Wright, of Canadian Bakeries, issued a circular to all branches, as follows:

"Now that prices have been readjusted, and the majority of discounts eliminated, let's be sure that this discount picture doesn't creep into the story again.

The wagon prices, where we operate retail, must definitely be held, with no variations. If we lose a little business,—let's lose it, but let's hold our price line!

There will be no deviation from our prices." (Exhibit 280)

After the Combines Investigation Commissioner began to inquire into the activities of the Alberta bakers, Mr. Alexander, secretary of the southern division of the Association, wrote to Mr. R. P. Sparks, secretary of the National Council of Baking in Ottawa, on February 3, 1948, as follows:

"Referring to the matter of our request that the figures we submitted to you be kept confidential. This is the result of our having had a visit from representatives of the Combines Investigation Commission a few months ago, when it was felt by our members, that as a precautionary measure, no prices should appear in any correspondence, but if such was necessary, the same be sent out as confidential to the recipient. It may be that we are a little over cautious, but with the Government appointing further investigation committees, and the fact that investigators are still covering this Province, visiting small Bakers in some of the most remote places, our members felt that every precaution should be exercised.

In regard to the prevailing retail prices here, these are, as you have concluded: 13 cents off the wagon, 12 cents through the stores with the one exception that of the Safeway Stores where their own bread is sold at 10 cents. This is the only chain organization with a different price. There is no one getting more than 13 cents, and we have no knowledge of anyone getting less than these prices." (Exhibit 382)

Mr. H. E. Wright, of Canadian Bakeries, at this time also became concerned about a possible investigation and therefore proceeded to obtain information on bread prices "lower than the price that we have established". He wrote to the plants in Saskatchewan and Alberta on February 17, 1948, as follows:

> "Let me have by return a list of the bread prices in your city. If possible, show both retail and wholesale. I want to establish the fact that bread can be purchased for varying prices in your city. Therefore make your report as complete as possible and state names and sources from which bread can be purchased.
>
> No doubt some of the chain stores such as Safeways and Eatons and also some of the Jew stores are handling bread at a price lower than the price that we have established." (Exhibit 31)

2. Resale Price Maintenance

The policies and practices of the Western chain bakeries and of the Association in the maintenance of resale prices by concerted action are set out in documents and were confirmed by the evidence of witnesses.

The end of 1946 saw an arrangement which for the time being terminated a long drawn-out dispute between McGavin's and Canadian Bakeries on the one hand, and Safeway on the other, with respect to prices in Lethbridge. Safeway had been selling McGavin's and Canadian Bakeries' bread in Lethbridge at two for 17 cents. The prevailing price in other stores was 9 cents per loaf. Mr. Bird, secretary of the Association, acting on behalf of the Association and of Canadian Bakeries and McGavin's, brought pressure to bear upon Safeway to increase its price to 9 cents flat with a view to maintaining uniform prices in southern Alberta. Safeway's officers contended that they could not increase the price because of the Wartime Prices and Trade Board Regulations which fixed the ceiling price at the price in effect during the basic period. The Association then apparently induced Safeway to prepare an application to the Board for authority to increase the price to 9 cents and Mr. Bird drafted a supporting memorandum to the effect that such an increase "is, in the opinion of the Association, absolutely necessary to stabilize the price situation, both wholesale and retail" in Lethbridge (Exhibit 190). This memorandum was signed by the Association and by Canadian Bakeries, Weston's, Palace, Bryce, and McGavin's. The memorandum was not submitted to Col. Ruttan however, because Safeway was in any event allowed to raise its price at that time.

The net result was that Safeway increased the retail price for Four X bread, that is Canadian Bakeries' bread, and McGavin's bread from 8½ cents to 9 cents. Mr. J. A. Conn, zone manager of Safeway, Calgary, said in evidence:

> Q. Previous to September 17, 1947, was there a change at Lethbridge, since the date you took over?
>
> A. Yes, there was one change.
>
> Q. What was the change?
>
> A. The change was from 8½ to 9 cents for 4 X and McGavin's.
>
> Q. What was the occasion for the increase in the retail price at Lethbridge?
>
> A. At the request of Mr. Bird, the secretary of the Bakers' Association, in order to stabilize their price structure all over Alberta.
>
> Q. The prices in effect at Lethbridge, of the other stores at Lethbridge was 9 cents?
>
> A. Yes.
>
> Q. You increased to 9 cents?
>
> A. Yes.
>
> . . . .
>
> Q. Who came to see you, what transpired, what was discussed?
>
> A. In regard to the increase?
>
> Q. Yes, of the retail price at Lethbridge?
>
> A. Yes. We were asked by Mr. Bird to increase our price. We told him, I told him that we couldn't do that under the present Wartime Prices Regulations. After that, he took it upon himself to visit Mr. MacAulay of Winnipeg and Mr. Ruttan of Ottawa. We were told that there was bread being sold in our store at 9 cents and it was suggested that we increase our price, to keep everybody at 9 cents.

Q. That was, increase the price at Lethbridge?
A. Yes.
Q. Was it your wish that it should be sold at 9 cents retail at Lethbridge?
A. No.

(Evidence, Calgary, p. 4 et seq.)

Following Safeway's increase of the retail price of Canadian Bakeries' and McGavin's bread in Lethbridge, the two chain bakeries within a short time increased the wholesale price to Safeway's from 7 cents to 8 cents by eliminating certain discounts. Safeway's officers contended that this was a violation of the Wartime Prices and Trade Board Regulations, since, after taking the discounts into consideration, 7 cents had been the wholesale price during the basic period. A lengthy correspondence ensued. In a letter to Mr. Bird, Mr. Gillis, manager of McGavin's, Lethbridge, said "all I was doing was protecting our own interests and the Bakers' Association agreement". (Exhibit 209).

On July 30, 1946, Mr. Allan McGavin Jr. wrote to Mr. Gillis, in part, as follows:

"I hope there are no repercussions from the Safeway price increase. I am firmly convinced if the price falls down in Lethbridge, it will fall down in the whole of Southern Alberta. Please do everything you can to work with the Association in this regard."

(Exhibit 210)

On August 3, 1946, Mr. Gillis wrote to Mr. McGavin as follows:

"Personally I was not so concerned about anything the Safeway might do, as I was in the attitude of Mr. Logan of the enforcement council of the War Time Price and Trade Board, who in his last letter to me stated that we must sell to the Safeway at 7 cents and 25 per cent off cake, the same as the basic period. In order to maintain the price structure that we are fighting so hard to hold, we have decided to fight this issue to the finish and let the chips fall where they may." (Exhibit 211)

On August 5, 1946, Mr. McGavin wrote to Mr. Gillis as follows:

"Needless to say, I am very pleased with the stand you have taken on this and I can assure you that the Association will back you 100 per cent on this stand."

(Exhibit 212)

Mr. Bird apparently thought that the bakers would also decide to refer this matter to the Wartime Prices and Trade Board and therefore wrote to Mr. Harold Wright, of Canadian Bakeries, on August 21, 1946, as follows:

"The boys here will appreciate your having an 'unofficial talk' with Colonel Ruttan, re the Lethbridge Safeway situation, and have also suggested that you again reiterate our invitation to the Colonel, to come to Calgary at our expense, if it will do any good. In order to make it seem official, I have jotted down notes and points that are before the boys here, which I will enclose in a special letter to you, to be used at the meeting as you see fit."

(Exhibit 222)

On October 9, 1946, Mr. Conn of Safeway's wrote again to McGavin's and to Canadian Bakeries Limited with respect to the wholesale price in relation to Wartime Prices and Trade Board Regulations. (Exhibits 148 and 149).

On October 22, 1946, Mr. McGavin warned Mr. Gillis, his Lethbridge manager, not to put anything in writing lest it fall into the hands of the Wartime Prices and Trade Board. He said:

"Conn wants us to put our feelings in this matter on paper so that he can approach the Wartime Prices and Trade Board and say "There, that's it! These people have to supply us bread at seven cents'. Please don't put anything in writing to Conn concerning this matter: It might be shown to the Wartime Prices and Trade Board. And please work with the Calgary association and do as they suggest. Stan Wemp assures me that Canadian Bakeries, Weston's, and Palace would back us in this regard, and you need have nothing to fear."

(Exhibit 213)

It is important to note in the foregoing Mr. McGavin's assurance that the big bakers were working together in this matter to maintain the wholesale price.

In a letter of November 4, 1946, to Mr. B. C. Brown, district manager, McGavin's, Saskatoon, Mr. McGavin again referred to the agreement with the Alberta bakers, as follows:

"Concerning Safeway's in Lethbridge:

The first time I'm in Calgary I'll have a talk with Conn about this matter. Meanwhile, I'd suggest that we set up a reserve for the Safeway account and be prepared to write this off when they won't pay it. I don't care whether they pay it or don't pay it; we're going to keep charging them the amount since that is part of our agreement with the Alberta Bakers." (Exhibit 396)

On November 8, 1946, Mr. Conn wrote to Mr. Wright, of Canadian Bakeries, as follows:

"We cannot understand why you demand 8 cents wholesale for bread in Lethbridge when you prepaid from Calgary bread as far as Medicine Hat for the same price in view of the fact that the express amounts to 1¼ cents per loaf." (Exhibit 153)

Mr. Conn suggested that Mr. Bird had given wrong information to the Wartime Prices and Trade Board, and Mr. McGavin, with whose company Mr. Bird had become associated, wrote to Mr. Conn on November 18, 1946, stressing "the price arrangement" in Lethbridge:

"I can hardly credit the statement that Mr. Bird would give any wrong information, as referred to in your letter of the above date, to the Administrator or to anybody else, or that any wrong information would be coming out of any members of the Alberta Master Bakers' Association concerning the price arrangement which was entered into in Lethbridge. I believe if you review in all its ramifications, and with your principals, the entire Lethbridge price situation, both past and present, wholesale and retail, and verbal arrangements made with your principals and, I believe, yourself concerning these prices in Lethbridge, you will discover that your good company agreed to the present arrangement. In confirming our original stand in this matter, we do so feeling that somewhere along the line you have been misinformed, and do not fully realize that your Company agreed to the present set-up."

(Exhibit 155)

On November 21, 1946, the whole matter was apparently settled with Canadian Bakeries, which agreed on a wholesale price of 7½ cents per loaf. (Exhibits 157 and 158).

On November 21, 1946, Mr. McGavin wrote to Mr. Wemp, manager of McGavin's, Calgary, as follows:

"I wish you would read this letter to the members of your Association so that they will understand the spot that we are on in this connection just now, in case we do, at a later date, have to back up. Meanwhile, your Association can be assured that we are charging the full price for this bread, even though they are only paying us at 7 cents a loaf. You must understand that the reason why we are being so adamant about this whole thing is merely to keep faith with the Calgary Bakers' Association, who are doing business with us in Lethbridge. If there were no Association at all we would be inclined to accept the price they are paying, but we don't want to do this unless it is with the authority of the Southern Alberta Bakers' Association. Would you please talk this matter over with your members for me and let me know what they feel about the whole thing. . . .

Meanwhile, please do not obligate us in any way to decrease the price to 7 cents. I don't quite know what Conn's trying to do in this whole thing, or whether or not it's something that he's just bound he's going to break. I understand he has made the statement that he's going to break the association that the bakers have. That is typical of Safeway. I am just as determined that he is not going to break the association of bakers through anything we may do."

(Exhibit 192)

On December 3, 1946, Mr. Wemp, manager of McGavin's, Calgary, informed Mr. Gillis, manager of McGavin's, Lethbridge, that a settlement had been effected with Safeway along the lines of the Canadian Bakeries' settlement:

"This settlement has been effected with the full co-operation and knowledge of the members of the Baker Association affected. Incidentally, Four X made a settlement on approximately the same basis."

(Exhibit 193)

On December 5, 1946, Mr. McGavin expressed thanks to his Calgary manager, Mr. Wemp, for the settlement made with Safeway:

"I am very pleased to note in your letter of December 3rd that you had been able to arrive at a settlement with Safeway concerning the Lethbridge price, and I am also pleased to note that this settlement was made to the complete satisfaction of the Bakers' Association; I would not have wanted on our own to have effected any settlement in the nature of a compromise unless they were in on it. I am sure that George Gillis and Bernie Brown will both be pleased by the fact that you have been able to accomplish this settlement.

This has been hanging fire for a good number of months now and it is as well to have it cleaned up. Thanks very much. Also thanks to the Bakers' Association for their consideration in the matter, and to Harold Wright for lending you any correspondence that was of assistance to you.

I take it that the letter from Col. Ruttan in part okayed the arrangement that we were working under."

(Exhibit 194)

These lengthy negotiations confirm price-fixing agreements among the bakers and, more particularly, the chain bakeries which were designed to lessen and did effectively lessen competition. They further establish the working arrangement under which there was complete co-operation among the chain bakeries and the Association in the policy of fixing and maintaining prices, both wholesale and retail.

On May 13, 1947, Mr. H. S. Conrad, vice-president and managing director of Weston's, advised Mr. Treece, manager of Weston's, Medicine Hat, that retail prices out of stores must be observed. He wrote:

"However, since you appear to require advice, I do not see how you can subscribe to Safeway selling your bread for 1 cent less out of their stores. For your information we sell Safeway in Vancouver and Victoria and also in Brandon, Manitoba. On top of that we were in the process of completing arrangements to sell them here in Winnipeg but at the regular retail price out of their stores so that any arrangement you might make with Mr. Buchanan should be that our retail bread price out of stores is to be observed."

(Exhibit 573)

Following the increase in bread prices in September, 1947, the maintenance of the new retail price which had been established was challenged in Calgary and shortly after in Edmonton. These challenges led to the principal bakers threatening to refuse and actually refusing supplies to the retailers concerned.

The first incident concerned Safeway in Calgary and in Lethbridge. Safeway did not increase the price of its own bread, produced in its own bakery (Fairfax Bakery), at the same time as the other bakers increased their prices. In evidence, Mr. H. W. J. Maddison, zone manager of Safeway, Edmonton, said:

"We were after the general price increase. The policy we followed was, we still had flour at the old costs and the consumer was entitled to the balance of the flour reduced to bread, and until we paid a higher figure, we maintained that price."

(Evidence, Edmonton, p. 303)

On September 22, 1947, Mr. E. Balshaw, distribution division manager of Safeway, Vancouver, wrote to Mr. Maddison:

"Replying to your letter of September 18th on the above subject, I am in entire agreement with your proposal to advance the price of bread only 2 cents per loaf. Certainly the 10 cent price would have very much greater selling appeal than any figure above the 10 cent level and should be productive of very much greater bread volume.

For your information, Mr. Conn is also desirous of establishing a 10 cent price for Polly Ann in Calgary, Lethbridge and Medicine Hat.

I hope you can carry your suggestion into effect without interference from the Alberta Master Bakers' Association supported by the Department of Trade and Industry. What are the chances?

I consider that it would be quite safe to advance the price at any time now, since withholding the increase for nearly a week after the big bakers put their price into effect would certainly not be indicative of collusion."

(Exhibit 68)

The instructions dated September 16, 1947, to Mr. J. A. Conn, zone manager of Safeway, Calgary, from Mr. E. Balshaw, Vancouver, were as follows:

"There is so much discussion going on about the increase in the price of bread that we do not think we should be in any hurry to advance prices. In any event, we certainly must not increase the price on our Sponsored Brand until such time as Fairfax bills us at an advanced cost, otherwise we could be accused of profiteering, and considering the the current situation, that would be very bad indeed.

It is possible that the big bakers may move upward at any time and of course, we will have to increase the price of whatever big bakers' bread we sell through the stores in line with increased billing cost."

(Exhibit 165)

The developments in the attempt by the large bakeries to force Safeway to maintain the new retail price are set out in the following communications from Mr. J. A. Conn, Calgary, to Mr. E. Balshaw, Vancouver:

"September 22, 1947.

In my telegram of September 18, the spread in price mentioned was the wholesale spread of one-half cent per loaf which we enjoyed, as you know, for a considerable number of years. This now has been eliminated, and we are paying 10½ cents per loaf in Calgary and Lethbridge, the same as all other retailers and confectionery stores.

In Calgary and Lethbridge, bakeries are demanding that we sell it at not less than 12 cents per loaf, and 13 cents in Medicine Hat.

For your information, we are continuing to sell Polly Ann at 8 cents in the three cities where we operate. In Lethbridge, our price for Fourex and McGavin's bread was 2 loaves for 23 cents, and this morning they refused to sell us any longer unless we maintained a minimum price of 12 cents."

(Exhibit 174)

"September 26, 1947.

The writer was in Lethbridge with Mr. Milburn last Wednesday, September 17, when bread prices were increased by the large bakeries, namely Canadian Bakeries, McGavin's and Palace. Simultaneously, almost to the minute, each bakery phoned the office and notified us the wholesale price would be 10½ cents and the selling price 12 cents.

On Thursday morning Mr. Wemp of McGavin's Bakery came in to see me and I told him that we had not increased our bread prices. As soon as he left, Mr. Libin of Palace Bakery arrived, also requesting that we maintain the price of 12 cents. We raised the price of both McGavin's and Palace bread to 11 cents, but were again requested by both bakeries to maintain the price which they had set of 12 cents. This was done as we had no alternative in order to get supplies.

Friday night Mr. Galger of Canadian Bakeries phoned the office when the writer was not in. On Saturday morning I talked to him on the phone and he demanded that we maintain the 12 cent price.

Immediately after, the location manager of store No. 201 phoned and said that Canadian Bakeries had only sent him 15 loaves of bread and he was informed by the driver that the reason he was only getting 15 loaves of bread was because we were not maintaining the price.

I phoned Mr. Galger immediately, and asked him why we were only getting 15 loaves at our No. 201 location when he was supplying other customers in the vicinity of No. 201 with all the bread they wanted. The only excuse he made was that they had a breakdown and could not supply us with all the bread we wanted. He stated that he could supply us some time later in the day but I informed him we needed the bread now and unless he could ship it to us we would have to get our supplies elsewhere. We have now discontinued handling Canadian Bakeries bread."

(Exhibit 175)

"September 26, 1947.

"In order to obtain supplies of bread in Calgary from the large bakeries, namely Canadian Bakeries, McGavin's Ltd. and Palace, we had to agree to maintain a price of 12 cents a loaf.

In Lethbridge, we wanted to maintain a spread between our stores and other stores who deliver and charge, and set our retail price at 2 for 23 cents instead of 12 cents. Both bakeries, namely McGavin's and Canadian Bakeries sent their manager into our location on Saturday morning, September 20th, and stated that unless we sold their bread for 12 cents straight, they could not supply us, and refused to do so.

We arranged with a small bakery called 'Martin's' to ship us bread to Lethbridge at a delivered price of 10 cents, which we are now retailing for 11 cents with good results."

(Exhibit 176)

"September 29, 1947.

"For your information we list below the differential between store and wagon prices which exist at the present time. You will notice that bakeries in Medicine Hat deliver bread to the consumer at the same price as the stores charge, with the result the amount of bread shipped into Medicine Hat from outside is tremendous.

Weston's Ltd. have a bakery in Medicine Hat, but they refuse to sell us, along with other bakeries, unless we maintain their prices of 13 cents.

	Before Increase		After Increase	
	Store	Door	Store	Door
Calgary	9c	10c	12c	13c
Lethbridge	9c	10c	12c	13c
Medicine Hat	10c	10c	13c	13c"

(Exhibit 177)

It is of interest to note that Safeway was selling McGavin's bread in Medicine Hat at 12 cents per loaf, although the prevailing price was 13 cents. Safeway's manager in Medicine Hat stated in evidence that notwithstanding this fact, McGavin's brought no pressure to bear upon them to have the price raised to 13 cents. (Evidence, Calgary, p. 48.) The matter was, however, discussed at a meeting with the Association held in Calgary on December 17, 1947, (Exhibit 204). In evidence, Mr. Wemp, manager of McGavin's, Calgary, admitted such a discussion but said that nothing had been done in this connection. (Evidence, Calgary, p. 139.) Mr. Treece, manager of Weston's Medicine Hat, stated in evidence that he had discontinued supplying Safeway on account of complaints from their other customers that Safeway was retailing bread below the prevailing price. (Evidence, Calgary, p. 268.)

In a memorandum to his superior officers on the incident affecting Safeway in Calgary, Mr. Galger, manager, Canadian Bakeries, Calgary, confirmed Mr. Conn's advice to Mr. Balshaw, as follows:

"Late Tuesday afternoon, September 16, 1947, we decided on our price increase and Wednesday morning, I requested Howard Mitchell to notify Mr. Conn of the price change. Mr. Conn was out of the City and he left word with Mr. Conn's secretary that the price would be 10½ cents per loaf effective Wednesday morning, September 17th.

Safeway Stores continued to sell 4X, McGavins and Palace bread at 9 cents per loaf on Wednesday and Thursday. Mr. Wemp of McGavin's saw Mr. Conn on Friday morning, September 19th, and he agreed to raise their price to 12 cents per loaf while 4X and Palace bread was raised to 11 cents per loaf. Mr. Libin then saw Mr. Conn on Friday afternoon and Mr. Conn agreed to raise Palace bread to 12 cents per loaf. When I was informed of this, Howard Mitchell and myself went to see Mr. Conn about 2:30 p.m. on Friday, September 19th, but he had left for the day. I phoned his home a number of times after 5 p.m. on Friday and up until 9:15 that night and also left my number but could not get in contact with him.

I contacted him by phone about 8:30 a.m. Saturday morning at his office and asked him to raise our price to the level of McGavin's. He stated that he would have to wire Vancouver before he could do this. In the meantime we held up our deliveries to Safeway Stores but decided to give them their order of cakes, sweet goods but only 15 loaves to each store. These deliveries were made shortly after 9 a.m. Mr. Conn got wind of this and phoned me and I stated that owing to a breakdown we could not supply them with more bread until Saturday afternoon. He stated that we had better have another breakdown on Monday and we were to stop calling at the Safeway Stores we had been serving. We have followed out his instructions in this respect.

In the first conversation we had Saturday morning he wanted to know about a differential in price as between Safeway's and the independent stores and I told him that the price was the same, namely 10½ cents. I stated that I felt that we were being discriminated against in that McGavin's bread was selling for 12 cents and I felt that my request to bring 4X up to 12 cents was fair and reasonable. He then stated that if he did raise the price we would be out of Safeway's in 2 or 3 weeks and we were not to try to get back in.

I also mentioned about the number of independent merchants who were phoning us each day with regard to our bread being sold in Safeway's at a lower price and he stated that they were no concern of his and I told him that a large percentage of our business was transacted with independent merchants and we could not afford to lose their goodwill."

(Exhibit 272)

In evidence, Mr. Galger said:

Q. We will call it Saturday, September the 20th, 1947?
A. Yes.
Q. Do you remember you only delivered 15 loaves to some of his stores?
A. Yes.
Q. Do you remember telling him why?
A. Yes.
Q. What did you tell him?
A. I told him we had a break-down the previous day, we were baking more bread on the Saturday morning and would give him more bread in the afternoon. He could have more bread in the afternoon.
Q. Think that over carefully will you?
A. That is what I said.
Q. THE COMMISSIONER. Was that the reason?
A. Partly the reason.
Q. What was the main reason?
A. The main reason was, he didn't agree to retail bread at the prevailing price.

....

Q. THE COMMISSIONER. Were you instructed by your senior officers to tell Safeways to bring the price up to 12 cents?
A. Yes, I was instructed, yes.
Q. Failing which, you would not be able to deliver to them?
A. Yes.
Q. Those were your instructions?
A. Yes.

(Evidence, Calgary, p. 441, et seq.)

Mr. H. E. Wright, regional manager, Canadian Bakeries, confirmed Mr. Galger's evidence, as follows:

Q. Did you give any instructions to Mr. Galger with reference to what should be done with regard to the Safeway situation?
A. Yes.
Q. What were your instructions to Mr. Galger?
A. I told Mr. Galger he was to see for himself and get the correct circumstances, and if necessary he was to discontinue serving him.

(Evidence, Calgary, p. 237)

Mr. Conn's evidence with respect to Lethbridge was confirmed by Mr. J. B. Noonan, manager of Safeway, Lethbridge, who said that Mr. Gillis, manager of McGavin's and Mr. Murphy, manager, Canadian Bakeries, Lethbridge, advised him that he would have to sell their bread at 12 cents "or they could not supply us". (Evidence, Calgary, pp. 45-46.)

Mr. Wemp, manager of McGavin's Calgary, admitted asking Mr. Conn to sell McGavin's bread at 12 cents but denied that he had suggested that he would cut off supplies unless the price was raised to 12 cents. (Evidence, Calgary, pp. 80-81). Mr. Gillis, manager of McGavin's, Lethbridge, likewise denied making this threat, but added "I left it up to them to volunteer that they didn't want our bread if they couldn't sell it at 12 cents". (Evidence, Calgary, p. 160.)

The evidence on his Safeway incident establishes an agreement among the principal bakers fixing the wholesale and retail price of their product with a view to lessening competition. It further establishes the fact that, in order to enforce the agreed retail price, resort was had both to threats to discontinue supplies and to the actual discontinuation of supplies.

Another incident involving enforcement of the agreed retail price occurred in October, 1947, in Edmonton and affected the three department stores in that city. In order to compete with Safeway's price of 10 cents for their Polly Ann bread, Woodward's advertised bread, purchased by them from a small Edmonton bakery (Central Bakery), at 10 cents on October 25, 1947. Eaton's and the Hudson's Bay stores followed suit, with the result that the retail price of the bread purchased from the three chain bakeries was reduced to 10 cents in the

three stores. The three bakeries and Mr. Simmonds immediately went into action and Central Bakery informed Woodward's that they could make no further deliveries of their bread. The evidence on what happened is as follows:

Mr. T. C. Pulton, manager of Woodward's store, Edmonton, said:

Q. What was the next thing that happened?

A. I got a delegation from the Bakeries. McGavin's, Canadian Bakeries, E.C.B. . . . Mr. Blair from the Canadian Bakeries, Mr. Barberie from McGavin's and Mr. Carr from the E.C.B. I met them downstairs, Mr. Paterson was there.

Q. What took place?

A. They came to ask us whether we would raise the price of their bread to 12 cents, if Eaton's would agree to do the same thing. During the course of the conversation, it came to a head, and I said that regardless as to whether they were within their rights to ask us to sell at what they wished, that it was a remarkable coincidence that we had had a man in from the Central Bakery two days previous selling us bread, that on the Monday morning he came in and told us that they would get difficult with him if he continued to do so. At first they denied any knowledge of that, or anything to do with it, but subsequently, one of the gentlemen told me that perhaps the Secretary of the Association had exerted his authority.

Q. Who said that?

A. Jack Barberie. We agreed to raise the price to 12 cents.

Q. He suggested the Secretary had been tough with the Central Bakeries?

A. I think the word he used was "he exerted his authority".

. . . .

Q. Did they ever say to you that you couldn't retail at less than 12 cents?

A. Yes, also if we didn't there was no alternative but that we couldn't be supplied with bread.

Q. Who said that?

A. Mr. Barberie.

Q. He is manager of McGavin's?

A. Yes.

Q. Did any of the others, E.C.B. or Canadian Bakers, say anything like that?

A. I can't be clear what else was said when they were back, I never talked about the price except to Barberie individually, . . .

Q. THE COMMISSIONER. It was Mr. Barberie who told you that supplies would be cut off unless you maintained a 12 cent price?

A. Yes.

Q. Did any of the other representatives of the other bakeries tell you that?

A. I wouldn't like to say, I don't think so.

Q. You interviewed the three of them together, McGavin's, E.C.B. and Canadian Bakeries?

A. Yes.

Q. Did any of the officers of the E.C.B. or Canadian Bakeries ever tell you anything similar to what Mr. Barberie told you?

A. I couldn't be sure if they did or not. That was definitely the opinion of the meeting, of all three of them, I wouldn't like to indicate individually which one, well what each one said, or even discussed that time.

(Evidence, Edmonton, p. 14 et seq.)

Mr. J. Patterson, supervisor of the food department of Woodward's store, said:

Q. You always sold it at 12 cents?

A. Yes, except on the one occasion when we came down to 10 cents, when we came out with the ten-cent loaf, then Eaton's dropped their loaf to ten cents, and we had a visit from the different bakers.

Q. Who were they?

A. Mr. Simmonds, Mr. Barberie, Mr. Blair of the Canadian Bakeries, and Mr. Carr of the E.C.B.

Q. What happened at that visit?

A. They wanted us to . . . well as I understood it, if they could get Eaton's to raise theirs to 12 cents, would we bring ours back to that price.

Q. Was there any discussion about the Central Bakeries that time?

A. There was some discussion, they denied all knowledge of it, as to Mr. Simmonds having been there and their agreeing not to supply us.

Q. THE COMMISSIONER. Did they tell what would happen if you didn't agree to raise it to 12 cents?

A. Well they didn't threaten us directly, they didn't say directly what their decision over that would be, but it was the same thing as telling us . . .

Q. Were you told in so many words, that unless you raised the price to 12 cents, you would not be able to receive bread from McGavin's, E.C.B. or Central Bakeries. Were you told that?

A. We were led to understand that.

Q. It comes to this does it, the only thing that would prevent you from selling at ten cents would be if they refused to deliver supplies?

A. Yes.

Q. That was your understanding anyway, that was what would happen?

A. Yes, that was my understanding.

. . . .

Q. THE COMMISSIONER. You are selling bread at three prices, 10, 11 and 12 cents?

A. Yes.

Q. Are you prepared to sell at a lower price to-day?

A. Yes, we could do.

Q. And you wouldn't lose money?

A. No.

Q. The consumer could buy that bread at a lower price than 12 cents, but for the fact that you feel you are being prevented from selling it at less than 12 cents because the baker wouldn't supply you if you did that?

A. That is the fact.

Q. That about sums up the situation?

A. Yes, it certainly does.

(Evidence, Edmonton, p. 22 et seq.)

Mr. H. Hankel, manager of the lunch counter at Woodward's store, said:

Q. On September the 18th the price of bread advanced in the city of Edmonton?

A. Yes.

Q. It increased three cents a loaf, retail?

A. Yes.

Q. On that date, did you increase the price of your bread?

A. Yes, we did.

Q. You advanced three cents?

A. Yes.

Q. Subsequent to that time, the price was reduced, about the month of October, the 24th?

A. Yes.

Q. THE COMMISSIONER. Why did you increase it three cents, why that figure?

A. The price went up, we were told to increase it.

Q. By whom?

A. Well they told us what price it went up that morning.

Q. Who are "they"?

A. Whoever we dealt with, sir, in this bread we dealt with three bakeries, McGavin's, E.C.B. and Alberta Bakeries.

Q. They told you the price increased three cents?

A. Yes.

Q. They fixed the figure of three cents?

A. I believe they did.

Q. They set that figure?

A. Yes.

Q. Why did you sell at 12 cents, why not 11 cents, why did you have to do what they said?

A. I couldn't say, we took it from that it was increased three cents, we did whatever they told us.

Q. Did all the bakers tell you?

A. Yes, I believe so.

Q. In any event you did what the bakers told you?

A. Yes.

Q. Do you do that with respect to everything else you sell in your department?

A. No, we don't.

Q. Why don't you ?

A. Well in this particular case we didn't want to get in wrong with any of the bakers round town.

Q. What made you think you would get in wrong with the bakers?

A. Well, probably we wouldn't.

Q. What would they do to you?

A. They wouldn't do anything very much, unless they cut us off.

Q. That would be "very much" would it not?

A. Yes, I guess it would be, we wouldn't have any bread, and we want to have bread.

(Evidence, Edmonton, p. 28 et seq.)

Mr. A. G. Teal, manager of the groceteria department of Eaton's, Edmonton, said:

Q. How soon after you sold at 10 cents, did you have representations made to you by the larger bakeries?

A. If I trust my memory again, I think it was the afternoon of the first day.

Q. Who came to see you?

A. Well four gentlemen, Mr. Johnston, Mr. Carr, of the E.C.B., Mr. Blair of Canadian Bakeries, and Mr. Barberie of McGavin's.

Q. What transpired that day, what was the effect of the conversation?

A. They asked me if I would be interested in raising the price of bread.

. . . .

Q. Why did you increase it to 12?

A. The following day I believe, three of the gentlemen came to see us again.

Q. Do you remember who?

A. Mr. Carr, Mr. Barberie and Mr. Blair I believe. They asked me again if I would be interested in putting the price up. Well, I felt possibly if we didn't put it up our supplies might be cut off. I asked them at the time if there were any chances of that, they intimated that possibly supplies might fall off. I asked the question of one of them. Mr. Barberie I think it was, I asked him "what about if we send our own truck, would he refuse to sell", and he said you can get all the bread you want.

Q. If you sent your own truck . . .

A. He mentioned supplies might fall off to some extent.

Q. THE COMMISSIONER: Did they satisfy you that supplies would be affected if you didn't raise the price?

A. In my own mind, yes, he intimated that supplies would possibly fall off.

(Evidence, Edmonton, p. 44 et seq.)

Mr. W. P. Marquandt, manager of the groceteria department of the Hudson's Bay store, Edmonton, said:

Q. At that time you reduced the price of bread from 12 cents to ten cents per loaf.

A. Yes.

Q. What was the cause of reducing the price?

A. Originally Woodward's advertised a loaf at 10 cents, then Eaton's followed suit on their bread, and we followed suit on our bread.

Q. It came down to 10 cents?

A. Yes.

Q. How soon was it after you reduced the price, before you had a visit from the bakers?

A. Well I think it was about the first day it was reduced, or the second day.

Q. Who came to see you?

A. I can't recall the names right now, E.C.B. and McGavin's were the two that stuck in my mind.

Q. And Mr. Carr of the Canadian Bakers?

A. Yes, he was there.

Q. What was the effect of the visit, what did they say?

A. Well exactly the effect of the conversation, as I recall it, they were, well it was just a conversation, they wanted us to go back to the 12 cents. They asked me if I was willing to go back to the 12 cents if they could get our competitors back to 12.

Q. Was there anything more said?

A. McGavin's, Mr. Barberie said he would get in touch with his Head Office, and see if they couldn't put out a plain unwrapped loaf that could be sold at 10 cents.

Q. Did anything come of that?

A. He said his Head Office advised him they were selling McGavin's bread and not plain unwrapped bread, they couldn't put out a loaf of bread like that.

Q. You were agreeable to go back to the 12 cents?

A. We were agreeable to, if our competition went back.

(Evidence, Edmonton, p. 51 et seq.)

The proprietors of the Central Bakery admitted in evidence that Mr. Simmonds had come to see them about the price of 10 cents at which their bread was retailed by Woodward's and had made it clear that he objected to this price because it was not in line with that of the other bakers. They indicated that this may have indirectly influenced them against making any further deliveries to Woodward's, although they contended that the capacity of their bakery was

not adequate to supply an account like Woodward's, and, further, that their customers were dissatisfied with the price at which their bread was retailed at Woodward's (Evidence, Edmonton, p. 50 et seq.).

It was also established in evidence that Mr. Simmonds visited Mr. Benesch, a baker in Wetaskiwin, who was selling to Woodward's a loaf which retailed below the set price and threatened him that the big bakers would undersell him unless he met the Edmonton price. It may be observed, however, that this baker still continued to sell bread to Woodward's, and had not been disturbed by the Association. (Evidence, Edmonton, pp. 113-114). Mr. Simmonds admitted in evidence that he went to see Mr. Benesch. He said:

> Q. THE COMMISSIONER: What was the offence committed by Benesch?
> A. The offence to start with was that he was . . . well we don't like people shipping in bread to the city from the country . . .
>
> (Evidence, Edmonton, p. 289)

The managers of the three chain bakeries in Edmonton admitted visiting the three department stores with a view to inducing them to raise their price to the uniform level of 12 cents. Mr. Blair, manager of Canadian Bakeries, Edmonton, said in evidence:

> Q. What was the conversation?
> A. We pointed out to them the position they put us in by selling at a price below cost, we also drew their attention that it was against the Alberta law, that any goods sold below they must mark up their price five per cent above cost; we also pointed out the effect it would have on the other storekeepers, they would know we were selling them their bread at 10½ cents and allowing them to sell it at a loss.
> Q. There was some discussion as to the Eaton Company, do you remember that?
> A. Yes. We had a lunch counter there. I might point out we were not selling bread to Woodward's.
> Q. THE COMMISSIONER: What interest did you have in going to Woodward's yourself?
> A. The only interest I had was the effect it might have on the retailers in general.
> Q. Was that the only reason you were interested?
> A. I was anxious to see that the price of bread was maintained, I certainly didn't want to see it sold below cost.
> Q. What do you mean, that you were anxious to see the price of bread maintained?
> A. Exactly what I said. Naturally no one wishes to see his product sold below cost, while my bread was sold in Woodward's it would have an effect on the other retailers, there are lots in the city.
> Q. You were anxious to see the price maintained at 12 cents that time?
> A. Yes.
> Q. The price at which you and your competitors had agreed upon, is that right?
> A. I actually didn't agree on the price, my company agreed on the three cents increase after I saw them.
> Q. The price which the Canadian Bakeries and their competitors had agreed upon?
> A. Yes.
> Q. The price which resulted in a three cents increase, and which you say was based on the increased costs to the bakeries, is that right?
> A. Yes.
>
> (Evidence, Edmonton, p. 142 et seq.)

Mr. Barberie, manager of McGavin's, Edmonton, said in evidence:

> Q. What was the discussion on that occasion?
> A. On the retail price of bread.
> Q. What else?
> A. We wanted ours sold at 12 cents, they had been selling it at 10 cents.
> Q. You discussed Eaton's in Woodward's store, they were also selling at 10 cents?
> A. We were discussing the effect, in case we got one up, the other one would be . . . well they would have to be together, you couldn't haul one over the coals when they might be doing the same thing at the other place.
> Q. Didn't they raise the question as to whether you could bring Eaton's up. Wasn't that discussed?
> A. I would say Mr. Logan, probably no doubt, that would enter into it, they were selling at ten cents.

Q. Didn't you suggest at the Woodward store, that if Eaton's didn't come to 12 they might have difficulties with supplies?

A. I believe so.

Q. You went to see Mr. Teal of Eaton's?

A. Yes.

Q. What transpired there?

A. Very similar as at Woodward's. I saw Mr. Teal and pleaded with him to bring the price of bread up. He said "will you take it out?" I said, "no, but his services might become very poor". He asked if he could get bread with his own trucks, I said "you certainly can".

Q. Was it suggested that he might be too late on some occasions?

A. It could be.

(Evidence, Edmonton, p. 183 et seq.)

Mr. Barberie said further:

Q. What do you mean, you told Woodward's they might have trouble?

A. If they wanted our bread.

Q. Do you feel that if you had cut their supplies, one or the other of the bakers, the Canadian Bakeries or the E.C.B. would have supplied them?

A. If the same thing happened to their product as mine, if their price was being cut?

Q. They wouldn't have supplied them either?

A. No, they wouldn't supply them either.

Q. You are trying to maintain a certain price for your product?

A. Yes.

Q. It so happens that your price is the same price as your two principal competitors?

A. Yes.

Q. So that if any of your customers refused to adhere to that price, you are in the position to say "we won't sell you"?

A. We won't say we won't sell them, I never said we would take the bread out or wouldn't sell them.

Q. You did say they might find supplies difficult?

A. That would be right.

Q. Which might be a serious business to a customer of yours?

A. We could hope so.

(Evidence, Edmonton, p. 209)

Mr. Johnston, manager of Edmonton City Baking, (operated by Weston's), said:

Q. THE COMMISSIONER: Did you know the purpose of the visit?

A. Yes. To endeavour to get the price to 12 cents, to a 12 cent basis, they were selling at 10 cents.

Q. You don't sell retail?

A. No.

Q. But you are interested in maintaining a certain retail price?

A. Yes.

(Evidence, Edmonton, p. 218)

The managers of the three chain bakeries in Edmonton thus admitted concerted action to maintain the retail price which had been agreed upon and established. This was designed to, and did, lessen competition. The effect was to prevent the consumer from purchasing bread at a lower price than that fixed by the three chain bakeries.

The Safeway incident in Calgary and the incident affecting the three department stores in Edmonton, are but further illustrations of concerted action by the Western chain bakeries and Mr. Simmonds to maintain price agreements governing both northern and southern Alberta.

3. Agreements on Tenders

The evidence establishes that the principal bakers acting through the Association agreed not only on uniform wholesale and retail prices but also on the submission of uniform tenders to institutions and to the armed services in wartime.

The policy of uniform tenders ante-dates the war years. As early as February 16, 1937, the minutes of a meeting of the Association held in Calgary report that:

> "The matter of tenders for the various institutions was discussed and in future all such are to pass through the hands of the Association Secretary and all contracts would be rotated amongst the various shops, as per undernoted . . . "
>
> (Exhibit 7)

In evidence, Mr. Alloway, formerly of McGavin's, said:

> Q. Looking at the bottom of the page, the last paragraph, that is dealing with tenders?
>
> A. I recall that, that is the fact.
>
> Q. The paragraph reads, "The matter of tenders for the various institutions was discussed and in future all such are to pass through the hands of the Association Secretary and all contracts would be rotated amongst the various shops, as per undernoted". What does that mean?
>
> A. To avoid discord among the trade.
>
> Q. In other words, there would be one price and the tenders would be distributed equally among the members?
>
> A. I believe so.
>
> Q. Would that be the purpose of that?
>
> A. Yes.
>
> Q. THE COMMISSIONER: Did you know of any such policy?
>
> A. Yes, definitely. This was before the war.
>
> Q. It was to maintain the price and distribution?
>
> A. Yes.
>
> (Evidence, Edmonton, pp. 97-98)

In his evidence, Mr. Simmonds admitted that it is the practice of the bakers to maintain one price for institutional accounts, but suggested that the system of uniform tenders arose from arrangements during the war with the Department of Munitions and Supply. The foregoing evidence establishes the fact that the system of uniform tenders was in effect long before the Department of Munitions and Supply was established, dating at least from 1937. It is of interest to note Mr. Simmonds' evidence:

> Q. MR. LOGAN: What about tenders on institutional business, the bakers make the same tender, do they not, that is through an agreement?
>
> A. We had an arrangement during the war with the Department of Munitions and Supply.
>
> Q. The business is allocated as between the bakeries?
>
> A. If any Institution wants a baker to supply them, they are supplied at a low price, they give them an especially low price.
>
> Q. One price is maintained for institution accounts?
>
> A. Yes.
>
> (Evidence, Edmonton, p. 293A)

The policy of agreement as to prices also extended to tenders during the war years for the supply of bread to the Canadian armed services. This was facilitated by the fact that the Government, after a time, secured these tenders through the Association. Minutes of a meeting of the Association held in Calgary on April 17, 1941, report as follows:

> "Army tenders for the month of May were considered, and it was the opinion that the price should be advanced a quarter of a cent per pound. However, the final action was left with the Chairman and Secretary."
>
> (Exhibit 185)

On May 29, 1941, Mr. Treece, manager of Weston's, Medicine Hat, advised Mr. Conrad, the vice-president and managing director of Weston's, as follows:

> "Shortly after you left I got in touch with Mr. Richardson of Richardson's Bakery and typed out his Tender for bread for the Airport and today received word from Department of Munitions and Supply that the Tender was to be split 50-50 between us—so that worked out as predicted."
>
> (Exhibit 317)

In evidence, Mr. Treece said:

Q. The second paragraph refers to you and Richardson's tendering for the Airport on a fifty-fifty basis, tendering together on a fifty-fifty basis?

A. Yes.

Q. What was the reason for tendering together?

A. Well that time, on account of the volume we could handle. That time neither ourselves nor Richardson's could handle the camp without bringing in additional help. Between the two of us we could handle it by taking alternate days.

Q. Was there any question of eliminating competition, as between yourself and Richardson's?

A. We thought our price was good.

Q. Was there any question of eliminating competition, did you agree on a fifty-fifty basis with that in view. Did that have anything to do with it?

A. I think it was more for the reason of handling it with the help we had.

Q. THE COMMISSIONER: You both knew you would be both competing at the same price?

A. Yes. (Evidence, Calgary, pp. 274-275)

In 1942 the policy on tenders for the armed services ran into difficulties. On January 5, 1942, Mr. Treece, manager of Weston's, Medicine Hat, advised Mr. Conrad that Weston's and Richardson's had lost the Airport tender:

"We regret to advise you that both Richardson's Bakery and ourselves lost the Airport Tender for the Period January 1 to March 31, 1942, as we were under quoted by the Palace Bakery of Calgary. We both tendered at the usual price, that is .04½ cents per pound F.O.B. Medicine Hat Airport; also we have both served this Airport for the past six months at this price, and the men in charge have told us both how well satisfied they have been with the quality and service that we have both given them. Somehow the Palace Bakery have discovered the price we have both been quoting and I have heard to-day that they quoted .044 cents per pound F.O.B. Port; so when they pay shipping charges from Calgary they will not be able to make very much profit on this venture; however we both wish we had them during the quiet period January, February and March of this year; but nothing can be done about it till the new tender comes up the latter part of March."

(Exhibit 319)

In replying to Mr. Treece, Mr. Conrad expressed regret that the Airport tender had been lost for the next three months, and advised him to under-bid Palace Bakery when the contract comes up for renewal "and as far as I am concerned I am prepared to have you quote .04¼ cents." (Exhibit 320).

This matter was discussed at a meeting of the Calgary bakers held on January 23, 1942, and the minutes report the following:

"The Chairman opened the meeting by reading a report by Mr. Simmonds of the invasion of Calgary Bakers into the military contract business of the Medicine Hat Bakers. He said that in his opinion it was to be deplored that the Calgary Bakers in question had quoted on a lower price basis than the local men and that such action, if continued, was not conducive to good relations with the organization. Mr. Cameron concurred, and said that he felt very strongly in the matter. Mr. Libin explained that there had been no wish on his part to disrupt the friendly relations he always had with the Medicine Hat Bakers, but he felt that such action in this instance would bring before the notice of the Association Members in Calgary the necessity for making more equitable arrangements regarding distribution of local military business. After long discussion, it was agreed that in future there would be no bidding on military contracts from points outside the cities in which the establishments were situated, or were most nearly adjacent to. It was further agreed that the Palace Bakery and Bryce Bakery were to participate equally with the other bakers in all military business at Claresholm."

(Exhibit 94)

On January 29, 1942, Mr. Treece advised Mr. Conrad of the settlement reached at the meeting of the Calgary bakers and subsequent meetings in Medicine Hat:

"Next week Mr. Simmonds called on us and had Mr. Richardson and myself down to his room at the hotel where we discussed quite fully our troubles; that is Safeway's selling McGavin's bread of Calgary at .09c, Foodland selling Palace Bakery bread of Calgary at same price and Palace Bakery supplying the local airport. Mr. Simmonds suggested that Mr. Richardson represent Medicine Hat at an executive meeting to be

held in Calgary January 23rd. As soon as Mr. Richardson returned from this meeting he got in touch with me and told me that it was finally decided at the meeting that the Palace Bakery as well as all other Bakeries in Calgary had agreed to not tender on the Medicine Hat airport and for this concession the Palace Bakery were the only Calgary bakery that would tender on the Claresholm airport; but that they would have to buck the local baker in that town. Mr. Simmonds suggested after the meeting to Mr. Richardson that he thought we should quote ·048c. per lb. which would net us ·06c per loaf."

(Exhibit 321)

In evidence on this adjustment, Mr. Simmonds said:

Q. Looking at the first paragraph, what do you say about that?

A. The bids for the military camps would naturally go to all the bakers in the south. As I have explained before, there was some difficulty in supply, but Mr. Libin of the Palace Bakery apparently had gone down to Medicine Hat, and was upsetting the local bakers there by bidding in on the contract which they already had.

Q. What did Mr. Libin agree to do?

A. In the future there would be no bidding on military business. It was decided that the contract should be filled by the bakers where it was situated. That is, to the small local bakeries, who would be able to handle the military contract. We always established the policy of allowing the small bakeries to get in on it. That is of course to any amount he was able to handle, it would be impossible for them to handle the entire contract, but only fair to let him in on a part of it.

Q. Mr. Libin was allowed to bid on the Claresholm end, but not to bid on the Medicine Hat contracts?

A. Yes.

(Evidence, Edmonton, pp. 338-339)

This incident with respect to Army tenders and the settlement effected cannot but be condemned. The evidence establishes that the price agreed upon by Weston's and Richardson's and paid by the Government was 4·5c. per pound; that Palace Bakery subsequently obtained the contract at 4·4c. per pound; that the bakers took joint action to eliminate competition which would have the effect of reducing the price of bread to the Government for the armed services in wartime; that an agreement was reached under which such competition was in fact eliminated; and that after this settlement Mr. Simmonds suggested that the price should be raised to 4·8c. This constitutes a clear case of an agreement designed to eliminate competition to the detriment of the public interest in wartime.

The Association continued to pursue its policy on military tenders, and when in 1943 the Department of Munitions and Supply complained about the price of bread, the matter was discussed at a meeting of the wholesale bakers in Calgary on May 6, 1943.

The minutes of the meeting report as follows:

"The Secretary drew attention to the complaint of the Department of Munitions and Supply regarding the price of bread to the Internment Camps and Bombing Schools at Lethbridge and Medicine Hat. Mr. Simmonds suggested that procedure along the lines of his letter to the members be followed, viz.; that the basic price of 4¾ cents per pound be scrupulously followed in all cases. This would mean that, for instance, the plants at Lethbridge supplying the Internment Camp would be paid on a basis of 4¾ cents plus ½ cent for delivery and packing, making their price 5¼ cents per pound, whereas all bread shipped from Calgary to make up the balance of requirements would be charged at 4¾ cents plus 1 cent per pound. The members were unanimous in agreeing that this procedure be followed and a letter be written to the Department of Munitions and Supply confirming."

(Exhibit 110)

In evidence Mr. Simmonds stated:

Q. That sets the price for bidding on military contracts?

A. Yes.

Q. 4¾ cents a pound?

A. Yes.

Q. Those minutes were made by yourself?

A. Yes.

Q. The price set there, 4¾ cents a pound, was that lived up to?

A. Yes, to the best of my knowledge I believe it was.

(Evidence, Edmonton, p. 352)

On July 5, 1943, Mr. Conrad, vice-president and managing director of Weston's, wrote to his senior officer, Mr. F. W. St. Lawrence, president of Weston's, to explain the price of bread to the Army in the Regina and Calgary areas. He said:

> "I mention all this to show that the price per lb. charged by Calgary, while it appears high, there is more to it than simply the ingredients and shop expense. Naturally Calgary and Regina are in the centre of the wheat-growing areas where the price of flour is lower than in other points and it may just be the case that our price is too high.
>
> If we reduce the price it would look as if our case is weak but on the other hand if the Government investigates and finds that we are making a profit, we might be in difficulty.
>
> I discussed the matter with our Managers and told them of the seriousness of the matter and further wrote them after they left for home and asked them to bring the matter before their local Association in confidence and further to prepare complete costs of the bread per lb. including delivery charges.
>
> As to the prices charged at the Coast, these are not out of line considering the labour conditions and the higher prices of ingredients and other materials prevailing at that location.
>
> Your advice as to anything we should do further in the matter will be appreciated."
>
> (Exhibit 570)

The policy of submitting uniform tenders did not terminate with the war years. The minutes of a meeting of the wholesale section of the Association held on April 23, 1947, report that:

> "In the matter of re-allocation of institution accounts it was agreed that the managers meet tomorrow the 24th and thereafter as convenient until all institution accounts have been adjusted."
>
> (Exhibit 25)

In evidence on this item, Mr. Barberie, manager of McGavin's, Edmonton, said:

> Q. Did you tender on the institution accounts?
>
> A. Yes.
>
> Q. All the tenders were the same price?
>
> A. Yes.
>
> Q. There was only one price for the institution accounts?
>
> A. No, other bakers sent in besides our own.
>
> Q. THE COMMISSIONER: The Canadian Bakeries, the E.C.B. and McGavin's make the same tender?
>
> A. Yes.
>
> (Evidence, Edmonton, p. 199)

On the matter of tenders, Mr. Blair, manager of Canadian Bakeries, Edmonton, said in evidence:

> Q. If one of the institutions wants bread or supplies, it places an order with you or your competitors?
>
> A. Yes, that is right, naturally we work on the price when it is going up.
>
> Q. MR. LOGAN: You say naturally you work on the price. Did any bakers tender less than the prevailing price?
>
> A. The prevailing wholesale price?
>
> Q. Yes, or the special price given to institutions?
>
> A. Not to my knowledge.
>
> Q. THE COMMISSIONER: If tenders are called for, your firm and McGavin's, and any other firm tendering, submit the same tender?
>
> A. Yes.
>
> (Evidence, Edmonton, p. 141)

4. Agreements on Division of Territory

The evidence establishes that with a view to the more effective maintenance of agreed prices and lessening competition, the principal bakers acting through the Association also agreed upon divisions of territory in Alberta.

Mr. Simmonds early insisted upon the establishment by agreement of a border-line between the northern and southern divisions of the Association. Each division would agree not to ship across that line. Accordingly, on September 16, 1938, he wrote to Mr. Weir, secretary of the southern division, as follows:

"A very serious situation is arising, due entirely to the Pre-paid wholesale price which you have put into force in your Division; the gradual encroachment of territory which I felt sure would be the result is already under way and the only remedy is a very *clear and definite* agreement between South and North as to our Border Line.

Cancellations which are now arriving daily from Border Cities and Towns tell their own story and can only lead to a lot of unpleasantness and, eventually, a falling in all prices.

You will very readily see the danger I know, and I have no doubt but what if we take the matter up immediately, some arrangement can be made to stop the trend before it becomes too serious."

(Exhibit 342)

The effect of the border-line agreement was to restrict the territory within which shipments out of Edmonton and Calgary, respectively, could be made. Its purpose was to maintain prices by lessening competition. An interprovincial agreement governing shipments between Alberta and Saskatchewan is also admitted. Mr. Alloway, formerly of McGavin's, stated in evidence:

Q. MR. LOGAN: Were there any restrictions as to territory, when you were with McGavin's, as to interprovincial shipping, shipping between cities?

A. Yes.

Q. Say Edmonton and Calgary, was there some agreement as to territory between those cities?

A. Yes, there was, there would have to be, that is guided by express rates.

Q. There was an agreement dividing the territory between Edmonton and Calgary, and Saskatchewan and Alberta at the boundary?

A. There was an attempt.

Q. Documents will be put in to describe the agreement, but getting back to Edmonton and Calgary, what was the agreement there, do you remember?

A. The division point was Red Deer.

Q. Edmonton served to Red Deer?

A. Yes.

Q. And Calgary to the south of Red Deer?

A. Yes.

Q. And what between Saskatchewan and Alberta?

A. The border.

Q. The effect of the agreement was to stop retailers purchasing bread from bakers in Saskatchewan at a different price?

A. It was not stopping Saskatchewan shipping in, they could only go so far on their price structure, it was their express rates; it really only concerned the border towns, the first and second town in.

Q. Bread is cheaper in Saskatchewan than Alberta?

A. Yes.

Q. And if it had not been for that agreement, people who live near the border, close to the border, would have bought bread in Saskatchewan?

A. Yes.

(Evidence, Edmonton, p. 94)

The existence of the inter-zonal agreement was also confirmed by Mr. T. S. Cameron, manager of Weston's, Calgary:

Q. The Bakers' Association have an understanding or an agreement, as to the division line between the Edmonton territory and the Calgary territory?

A. Yes.

Q. That is roughly a line through Red Deer?

A. Yes.

Q. The Calgary bakers stay on the Calgary side and the Edmonton bakers on the Edmonton side?

A. Yes.

Q. There have also been efforts made to stop inter-city shipping as between Edmonton and Calgary?

A. There is still some going on I believe. We never ship beyond the Red Deer line north, except to our own depot in Edmonton.

Q. THE COMMISSIONER: What is the origin of the Red Deer line?

A. Well it is a too costly business to ship to Red Deer north, you run into express charges, they are too high, it is too costly.

Q. If it is an uneconomic proceeding why do there have to be understandings and squabbles?

A. Well when things were quiet bakers were looking for business and they would walk into any place and maybe ship in at a loss.

Q. MR. LOGAN: The real purpose was, there was a difference in the price structure between Edmonton and Calgary shipping, and there were riots as the Secretary calls them, across the line. Wasn't that it?

A. There may be something to that too.

(Evidence, Calgary, p. 303)

Mr. Allan McGavin, Jr., vice-president and general manager of the McGavin companies, admitted knowledge of the inter-zonal agreement, as follows:

Q. MR. LOGAN: You say the bakeries had a definite line at Red Deer?

A. Yes.

Q. And it was one time agreed that no bread should be shipped by the Edmonton bakeries south of Red Deer, and no bread north of Red Deer by the Calgary bakeries?

A. Yes.

(Evidence, Vancouver, p. 120)

At a meeting of the Association held in Calgary on April 20, 1943, the secretary was instructed to deal with "the question of shipping bread from Edmonton to Calgary by Safeways Stores", (Exhibit 107), apparently in violation of the inter-zonal agreement.

On April 27, 1943, Mr. Simmonds told Mr. Ross of Canadian Bakeries that he had discussed the matter with Mr. W. D. King, the Deputy Minister of Trade and Industry in Alberta, and outlined "the steps I was taking to prevent the shipments", (Exhibit 108). These steps included a reference of the matter to the Wartime Prices and Trade Board on the ground that "these shipments were unnecessary and would add to the already over-burdened transportation facilities". The letter points out that in fact the difficulty was a matter of price, and that Safeway refused to cease shipping from Edmonton to Calgary while Weston's was shipping from Calgary to Edmonton. Mr. Simmonds' letter continues:

> "I offered to police the price and withdraw them where possible through the Association, and negotiate for the withdrawal of Calgary shipments to Edmonton in return for the direct undertaking of Safeway that they would abandon their new move. I did this in order to have a clear case to present to the Board in proof that these complaints were not the real issue. I further pointed out that if the shipments were made it was impossible for me to give any guarantee that the price structure in Calgary would not be broken down; I gave it as my considered opinion that it would be impossible to hold the price in view of the irregular level of the wholesale structure."

(Exhibit 108)

Mr. Simmonds admitted in evidence that the objection of the Calgary bakers to Safeway's shipments into Calgary from Edmonton was based on price competition:

Q. Weren't they breaking the price structure at Calgary by shipping Pollyanna bread in?

A. Naturally the bakers there would be anxious to retain the Safeway business.

Q. They were bringing their own bread in, which they were selling at a lower price than the bakers'?

A. Yes.

Q. That was the difficulty?

A. Yes.

(Evidence, Edmonton, p. 351)

In June, 1944, the question of shipments of bread by Safeway from Edmonton to Calgary was again raised by Mr. Simmonds in a memorandum to Mr. Bird, secretary of the southern division. He wrote Mr. Bird on June 23, 1944, that all indications pointed to Safeway beginning their shipments to Calgary "early

next month". He asked Mr. Bird to warn his members of this possibility "in order that there will be no confusion resulting from the surprise attack." (Exhibit 123).

On October 7, 1944, Mr. Simmonds wrote to Mr. J. R. Croft, Administrator of Services of the Wartime Prices and Trade Board, informing him that Safeway had commenced shipping bread from their bakery in Edmonton to their stores in Calgary. His letter said:

> "The case in point is that of the Safeway Stores who operate a Bakery in Edmonton and who on Monday last commenced to ship bread from that Bakery to their stores in Calgary. It is quite obvious that the Bakers of Calgary, who have been supplying Safeway there with Bakery Products, are quite able to continue to do so, and there has never been any question as to the quality of the goods so supplied, or the efficiency of service. I might mention that the only motive is that of using bread as a "loss leader", i.e. to sell this product at a lower price than that at which the other stores sell in order to attract business in their other lines. .....
>
> Apart from the effect this action of shipping to Calgary, which is approximately 200 miles from Edmonton, and selling at a lower price than the long established one will have on our price structure, I must, on behalf of my Member Bakers, enter a strong protest against Safeway Stores using the Carrier Services unnecessarily and, in effect 'taking coal to the coal mine'."
>
> (Exhibit 124)

The correspondence and discussions with respect to the attempts to prevent Safeway from shipping from its Edmonton bakery to Calgary show clearly that the purpose was the maintenance of the agreed prices in Calgary, and that the reference to the Wartime Prices and Trade Board was made solely with a view to this end and was not in fact the expression of a desire to conserve transit facilities in wartime or to enforce Wartime Prices and Trade Board Regulations. This was not the sole attempt made by the Alberta bakers to use these regulations and the services of the Board to assist in maintaining their agreed prices.

On April 19, 1947, Mr. J. L. Johnston, Edmonton City Baking, apologized to Mr. R. L. Alexander, secretary of the southern division of the Association, with regard to a shipment of cakes, as follows:

> "I regret, contrary to our agreement, one shipment of cakes did get past our shipping department to Fernie, B.C. I have taken steps to prevent any recurrence and assure your Association that it was purely accidental that this shipment entered the area we agreed to vacate."
>
> (Exhibit 381)

In evidence, on the alleged violation of the agreement by Edmonton City Baking in shipping into the Crow's Nest Pass, Mr. Alexander stated:

> Q. Both occasions were in connection with shipping into the Crow's Nest Pass?
> A. Yes.
> Q. What was wrong about it?
> A. My understanding is, there is a line of demarcation across Alberta at Red Deer. That is the boundary, and the southern half should be left to the southern division.
> Q. And Mr. Johnston being in the northern division, he violated that understanding by shipping into the southern division?
> A. Yes.
> Q. He did that twice?
> A. Yes.
> Q. You were not with the Association when that understanding was reached?
> A. No.
> Q. You have been advised that there is an understanding to that effect?
> A. Yes.
> Q. Were you advised as to the reason?
> A. No.
> Q. But you understand that is the division of the territory?
> A. Yes.
>
> (Evidence, Calgary, pp. 430-431)

In August, 1947, the agreement under which Red Deer had been established as the border-line for shipments from Edmonton and Calgary is again established in evidence. On August 15, 1947, Mr. Barberie, manager of McGavin's, Edmon-

ton, wrote to Mr. Wemp, manager of McGavin's, Calgary, reporting that Canadian Bakeries and Palace were shipping bread across the border-line. He said:

"I believe Red Deer is the border line between Edmonton and Calgary and it is also an infraction of price structure.

In writing to you, Stan, I sincerely hope you will get onto this. We have reported it to Simmonds who will take it up through your Association."

(Exhibit 37)

Mr. Wemp replied to Mr. Barberie on August 16, 1947:

"Regarding shipments of Four X and Palace bread to Bentley and Rimbey, I am personally in agreement with you that this is a violation and have instructed our secretary to take the matter up with the parties concerned immediately. I have also told him to hold off for a day or two until he gets official word from Simmonds.

There is a possibility that the reason for this is that to the best of my knowledge that the price structure between Red Deer and Rocky Mountain House is being violated. In other words, there is bread coming in there from Edmonton at 7½ cents laid in. I think it might be a good idea if the whole thing was gone into again thoroughly and if there are any prices on this line or anywhere else they should be cleaned up without delay."

(Exhibit 38)

In evidence, Mr. Wemp said:

Q. That refers to a line drawn through Red Deer, at which two price structures met, the Edmonton and Calgary price structures?

A. Yes.

Q. There was an understanding that the two price structures should be confined to either side of that line?

A. Well, yes, that was along that line, yes. Along that line there has been a general understanding that that is the dividing line between the north and the south.

Q. There must be more than a general understanding, there was an understanding, for he is complaining here that some of the other bakers are upsetting the price structure?

A. Yes.

(Evidence, Calgary, p. 135)

Another controversy, arising from the division of territory between the northern and southern bakers of Alberta and from a related provision in the Association's code of ethics adopted in May, 1946, under which it was agreed that no depots would be established without giving three months' notice, was settled by arrangement in September, 1947. As early as May 10, 1946, Mr. Wright, of Canadian Bakeries, informed Mr. Blair, manager of Canadian Bakeries, Edmonton, that Palace Bakery was considering establishing a depot in Edmonton, and that this was a matter which should be brought to the attention of the Association and with regard to which pressure might be brought on the City Council (Exhibit 20).

On November 15, 1946, Mr. Allan McGavin, Jr., wrote on this matter to Mr. Johnston, manager of Edmonton City Baking (operated by Weston's), as follows:

"One thing was brought to my attention, and I hope you won't mind me mentioning it. I don't think there is any secret about the fact that Libin wants to establish a depot in Edmonton, and he is only held back from doing this because of the fact that at one time we agreed that no bread would be shipped south of Red Deer by Edmonton bakers, or north of Red Deer by Calgary bakers. This was after Weston's put their delivery system into Edmonton. While it is none of my business, and it doesn't bother us particularly, I do think that the fact that you are shipping cakes south of the Red Deer line will give Libin the opportunity of using that as an excuse to enter the Edmonton market from Calgary. I'm sure that you could ship these cakes along the C.N.R., down through Sicamous and Kamloops, Kelowna, and any place through there rather than ship them south of Red Deer, and in this way relieve the situation. I don't suppose it amounts to an awful lot to you, but I do feel that if you were to write to Libin and tell him that you were withdrawing your cakes from this district, that is, of course, if you will even consider it, it will forestall the possibility of Libin entering the Edmonton market.

Please believe that all of the above is done with absolute sincerity, and only with the idea of stopping Libin from entering the Edmonton market by using the excuse that you are shipping south of Red Deer."

(Exhibit 59)

In evidence on this letter, Mr. Johnston said:

Q. Do you understand that paragraph?

A. Yes.

Q. Did you cease to ship cakes south of Red Deer?

A. Yes, that time we did.

Q. There is definitely a dividing line, approximately to Red Deer, which divid the north and south, the Calgary bakers stay in their zone and you in yours?

A. I wouldn't say entirely, there is an agreement, not compulsion.

(Evidence, Edmonton, p. 25

Other bakeries were also threatening to establish depots at this time. I consequence, Mr. Allan McGavin, Jr., wrote to Mr. H. S. Conrad, vice-presid and general manager of Weston's on March 24, 1947 as follows:

"Since there are only the three of us concerned at the moment, I wondered if y would agree to a meeting, any place that you would suggest, between yourself, my and Alec Ross.

The one thing that worries me mostly about this depot situation is that Libin Calgary has most to gain, since he has only one plant, and has the whole of the west which he could put depots. He has for a long time wanted to establish depots Edmonton, and the only thing that has stopped him has been our understanding. Li is behaving himself now, and will continue to behave himself if he is given a good bre and if he can find no reason to step out of line. I do believe though that if we step o of line in the slightest degree (I mean the three large bakeries) that he will immediate follow suit every place he wants to.

Both Alec Ross and I feel that this matter is of sufficient importance that the three us should meet and talk the whole thing over, and once again come to some agreem regarding the practices that might drive us back into a cut-throat industry. I wou very much appreciate hearing your views on this matter, and hearing of the time and pl place that we could meet together. For my part, I would be perfectly willing to me you in Winnipeg if you so wish it, and I think that Alec could make it too."

(Exhibit 33

On April 21, 1947, Mr. McGavin was able to advise Mr. Gillis, manager McGavin Bakeries, Lethbridge, as follows:

"We had a meeting in our office, at which were present Alec Ross, and H. S. Conr of Weston's. It was decided at that meeting that there would be no more depots esta lished in the prairies. As a result of that meeting Canadian Bakeries are being allow to keep their truck in Kimberley, but will not put a depot in Cranbrook, where th have made tentative arrangements to do so. Weston's will pull out of Swift Current."

(Exhibit 21

In consequence the three chain bakers, represented by Mr. McGavin, M Ross, of Canadian Bakeries, and Mr. Conrad of Weston's, thus arrived at a agreement "that there would be no more depots established in the prairies" Mr. Allan McGavin, Jr., justified this agreement on the ground that the com petitive establishment of depots by the principal bakeries would be uneconom and would result in increased costs and higher prices. (Evidence, Vancouv pp. 115-116.)

On August 30, 1947, Mr. Simmonds wrote to Mr. Alexander, secretary the southern division of the Association about Palace Bakery shipping agencies or depots in Edmonton. He said:

"A very serious disruption of relations between the North and the South unavoidable if the Palace Bakery are considering the appointment of Central Bake in Edmonton as their Agent. I have before me, this morning, packets of sweet goo made by the Palace Bakery and sold by Central Bakery. Would you please be go enough to contact Mr. Libin and ask for information as to the arrangements h Company has made, if any, with this Bakery.

It is, I am sure, quite unnecessary to remind your Members that under the Cod to which all have subscribed, it is necessary to give at least three months notice intention to establish a depot, and in this instance the Central Bakery could not b looked upon as anything other than a depot."

(Exhibit 135

Mr. Alexander then reported to Mr. Simmonds that the matter had been satisfactorily settled and that Palace had undertaken to discontinue shipments to Central Bakery (Exhibits 134, 136).
In evidence on this incident, Mr. Simmonds stated:

Q. Does it not emerge from this correspondence, that what actually happened was, that the bakers in Edmonton prevented the Palace selling sweet goods in Edmonton through the Central Bakery. Is that not the case?
A. It would look that way.
Q. It is that way?
A. I will say yes.
Q. The answer is "yes"?
A. Yes.
Q. It is not the fact, that the Association, I will not say you, the Association are preventing bakers, they did prevent the Central Bakers who are not members of the Association, from coming in here. They did prevent the Central from entering into this arrangement with the Palace Bakery to sell the Palace sweet goods in Edmonton. That is the fact, is it not?
A. What the bakers resented was the Central Bakery not going to them for supplies, they couldn't see one of them going to Calgary, why they should go to Calgary, why they should have to, unless there was some ulterior motive.
Q. Well your answer to my question is "yes", is it?
A. Oh yes, oh yes.

(Evidence, Edmonton, p. 379)

Another incident arising from the division of territory among the bakers arose a few months later. On November 14, 1947, Mr. Alexander, secretary of the southern division of the Association, wrote to Mr. Gillis, manager of McGavin's, Lethbridge, with respect to Edmonton City Baking shipping through the Crow's Nest Pass, which apparently violated an agreement (Exhibit 216). In evidence on this point, Mr. Gillis said:

Q. What was the difficulty there?
A. I didn't particularly like the move of the E.C.B. men, selling their wares in Creston.
Q. That would be part of your territory?
A. Yes.
Q. They were interfering with the price structure, as well as invading your territory?
A. Yes, I had reported to him on selling on consignment.

(Evidence, Calgary, pp. 175-176)

Mr. Alexander also wrote to Mr. Johnston, manager of Edmonton City Baking, on November 26, 1947, reminding him that he had already undertaken "that such a breach would not be committed again" (Exhibit 380).

On November 25, 1947, Mr. Wright, of Canadian Bakeries, wrote to Mr. Alexander with respect to violations of agreements by Edmonton City Baking, as follows:

"Cliff Murphy at Lethbridge informs me that the Edmonton City Bakery have been touring the country with a trailer selling Christmas cakes, etc. Is this O.K.?
He also informs me that the Edmonton City Bakery's almond paste is retailing at 30c. per ½ lb. Is this in line? Cliff also informs me that they have been offering a 5% discount on orders over a certain amount. Personally I don't think this is playing the game but if that is the way they see it, it's O.K. with me and we will take steps to counteract it. If anything blows let's put the blame on the right door step."

(Exhibit 283)

On November 27, 1947, Mr. Gillis, manager of McGavin's, Lethbridge, wrote direct to Mr. Johnston, manager of Edmonton City Baking:

"I understand that Bob Alexander called you a week or so ago in regards to your traveller soliciting business in the Creston, B.C. area. I believe he was soliciting Christmas lines mainly. At the time that Bob called you I understand that you discounted the story to some extent, since that time I have confirmation that your traveller was through Creston with a trailer displaying your Christmas lines and wrote up a lot of business. Also offered an extra 5% to the merchants if the order was of certain quantity, and also offered almond paste in half pound packs to retail at 30c., where as the understanding with the bakers in this area on Almond paste is 35c.

This area in B.C. on the Crow's Nest line right to the head of the lakes, as fa
as the bakers in Alberta are concerned, is city of Lethbridge territory, with the
exception where some bakers in Calgary are shipping some accounts which in mos
cases is a precedent which was established some time ago. Therefore, any interfere
by Edmonton Bakeries in this area is contradictory to our understanding.

In view of your position in the chair at the Bakers meeting a few weeks ago, a
which time Jim, you found it your duty to more or less reprimand other bakers fo
similar tactics, in the light of this it truly makes it very difficult for us to keep fai
in such policies. I would appreciate an explanation for the interference in this territo
and some kind of assurance that anything of this nature will not happen again in th
future."

(Exhibit 217)

5. Interprovincial Shipping Agreement

For the more effective maintenance of the agreed prices, the Alberta baker
felt the need of an inter-provincial arrangement regulating the price of brea
shipped across the provincial boundary from Saskatchewan, where bread sel
at lower prices.

The minutes of a meeting of the Association held in Calgary on May 1, 194
report that:

"The situation on the Eastern border of the Province was fully discussed in vie
of competition from Saskatoon. While it is not feasible to ask Saskatoon shippers t
refrain from shipping into Eastern Alberta, it was the view that they should maintai
prices equivalent to those charged by Calgary plants, the same rule applying to shippe
from Calgary across Saskatchewan border if any."

(Exhibit 186)

The matter of "a closer tie-up between Alberta and Saskatchewan" was als
the concern of Mr. Simmonds, who, on September 24, 1941, wrote to Mr. H. S.
Conrad, managing-director of Weston's as follows:

"Conversations have recently been carried on between Mr. D. A. Ross of Canadian
Bakeries Ltd., and Mr. A. M. McGavin of McGavin Ltd., with a view to canvassin
the possibility of forming a closer tie-up between Alberta and Saskatchewan. Th
necessity for this is evidenced by the difference in the price structures btween the tw
Provinces, apart from the local differences between the Cities in Saskatchewan."

(Exhibit 92)

On May 7, 1942, Mr. Simmonds resumed his efforts for a meeting whic
would bring together Mr. Ward or Mr. Ross of Canadian Bakeries, Mr. McGavin
and Mr. Conrad of Weston's to adjust the Saskatchewan-Alberta situation. H
wrote Mr. Conrad as follows:

"I do not think that the time has ever been more suitable than now for a meetin
which I have so long advocated between yourself, Mr. Ward or Mr. Ross, and M
McGavin. Such a meeting would undoubtedly mean a great deal to the Industry i
Saskatchewan and Alberta as, you will agree, until some broad principle of under
standing is established between the three plants, the stability towards which we are
or should be, all striving is impossible of attainment."

(Exhibit 103

Mr. Conrad was apparently not very co-operative and efforts were resume
early in 1943. The minutes of a special meeting of "large wholesale plan
executives" held on March 8, 1943, report as follows:

"Mr. McGavin asked that the matter of control of the Saskatchewan situation b
pressed with a view to Mr. Simmonds taking over control without delay; he remarke
that under the present arrangement there was no basis of understanding between an
of the Plants, and in view of the fact that the only obstacle in the way of getting th
thing done was having an agreement with Weston's he was going to make a point o
going to Winnipeg and seeing Mr. Conrad. Mr. Ross was quite in agreement and said
that he also would take an early opportunity of talking the matter over. Mr. Simmond
said that this was not a new idea in that for over a year now he had been correspondin
with Mr. Conrad trying to arrange a special meeting and he would suggest that arrange
ments be made whereby Mr. Ross and Mr. McGavin could meet Mr. Conrad together
Mr. McGavin saw no reason why a special meeting could not be arranged and Mr
Simmonds was instructed to make further effort to that end."

(Exhibit 19)

On March 11, 1943, Mr. Simmonds reported to Mr. Conrad what had happened at this meeting:

"At a meeting held in Edmonton on Monday of this week, which both Mr. D. A. Ross and Mr. A. M. McGavin attended, the importance of closer co-operation between the Head Offices of the three Plants operating in the Western Provinces was stressed by Mr. McGavin. Mr. Ross concurred and said that he could see no reason whatever why a good basis of understanding could not be established on the same lines as the present Provincial setup in Alberta, which had tremendously improved the relations between all Plants."

(Exhibit 104)

On March 18, 1943, Mr. Conrad acknowledged receipt of Mr. Simmonds' letter and stated:

"I have no objection of meeting both these gentlemen in fact I will be very pleased to meet them when it can be arranged. When you mention the Western Provinces I imagine you have reference to Alberta and part of Saskatchewan."

(Exhibit 105)

Early in 1946 the problem of regulating interprovincial shipments between Saskatchewan and Alberta with a view to maintaining agreed prices arose again. On February 2, 1946, Mr. J. L. Johnston, manager of Edmonton City Baking Ltd. (a subsidiary of Weston's) wrote to Mr. Conrad that "there is a meeting in Saskatoon in March to discuss interprovincial shipping at which time I shall make an effort to get the area we are serving raised to 8 cents laid in" (Exhibit 57).

On February 11, 1946, Mr. W. B. Cronk, secretary of the Saskatchewan Bakers' Association, wrote to Mr. Bird with respect to interprovincial shipping, and added:

"We are having a meeting late this month or early in March and I feel quite certain that I will be asked to comment on Calgary's attitude. I may say that we have been able to make very satisfactory arrangements with the Edmonton bakers."

(Exhibit 414)

On February 23, 1946, Mr. Simmonds informed Mr. Wright, of Canadian Bakeries, Calgary, of the proposed meeting with respect to interprovincial shipping, stating "that you might wish to broaden the discussions to include the South of Alberta and Saskatchewan" (Exhibit 125).

Mr. Wright replied to Mr. Simmonds on February 25, 1946:

"Our feelings here on this interprovincial shipping are, while we will not definitely go out and solicit new accounts in Saskatchewan nor will we quote prices lower than the Calgary shipping price which is 8 cents prepaid, we have a number of shipping accounts on the Goose Lake line and I have carefully checked over the prices and cannot find a single case of prices below the 8 cent price mentioned above.

I think that in the past the situation out of Edmonton has been a bit more serious and I know that there are prices from Edmonton where they have deliberately lowered the prices in order to get a customer. However, if we can come to some understanding and quote prices in keeping with prices either out of Saskatchewan or along one shipping price it would be a lot better. Go ahead and see what you can do."

(Exhibit 126)

In evidence, Mr. Wright said:

Q. Do you remember Mr. Simmonds getting permission from you, to see Mr. Cronk in Saskatoon?

A. Yes. Not so much about Saskatoon shippers shipping to Alberta, it worked both ways.

Q. Mr. Cronk reported to you that a satisfactory conclusion had been reached?

A. Yes.

Q. And the conclusion was, that if the Saskatchewan bakeries shipped to Alberta, they would do so at Alberta prices?

A. Yes. At competitive prices.

Q. And if Alberta shipped to Saskatchewan the same thing would apply?

A. Yes, ship at competitive prices.

Q. Otherwise there would be a margin between the two and you would be constan getting into difficulties?

A. Yes, quite true.

(Evidence, Calgary, p. 19

Further reference to the interprovincial agreement between Saskatchew and Alberta is made in a letter written by Mr. C. A. Blair, manager of Canadi Bakeries, Edmonton, to Mr. A. McDougall, manager of Canadian Bakeri Saskatoon, on May 17, 1947, as follows:

"Charlie Simmonds, secretary of our bakers association here in Edmonton, has j phoned me and mentioned that one of the Edmonton bakeries has laid a compla against your country salesman. He has, evidently, gone into the town of Compeer a sold bread below our agreed laid in price on that particular line of 8 cents.

As you no doubt recall, Alex, we agreed to make the cut-off of our territories the Saskatchewan-Alberta boundary. We have, however, no objection to your serv an account just over the boundary providing the laid in price is the same as our own

We would appreciate your checking into this matter and advising me of the findi at your earliest convenience."

(Exhibit 2

Violations of the interprovincial agreement are also drawn to the attenti of Mr. Simmonds in a letter from Mr. Wright, of Canadian Bakeries, date May 26, 1947:

"Had a letter from Bruce Cronk of the Saskatchewan Bakers' Association at Sask toon in which he states that some of the Edmonton bakeries are running wild in West Saskatchewan and cutting prices far below the Saskatoon prices. They have seve instances reported to them from merchants where they have received free samples bread from Edmonton bakeries. This can't help but have a very deteriorating effect a I am afraid that unless something is done to correct the situation the Saskatoon bak will have to retaliate which means they would be coming up into Northern Alberta w prices much cheaper than anything that we have had in this territory."

(Exhibit 13

In his reply of May 29, 1947, Mr. Simmonds denied that "the border rai was from the city of Edmonton. He added that "if any forays are taking pla you may rest assured they do not originate in Edmonton where relations in plants continue to be most cordial and satisfactory" (Exhibit 132).

Further evidence on the interprovincial agreement governing bread shi ments across the Alberta-Saskatchewan boundary is presented in the chap herein on the operations of the alleged bread combine is Saskatchewan.

III. THE ALLEGED BREAD COMBINE: BRITISH COLUMBIA

The operations of the baking industry in British Columbia parallel those of the industry in Alberta in that they are based upon agreements to fix and to maintain wholesale and retail prices with a view to lessening competition by eliminating price as a factor in such competition. As in Alberta, the Western chain bakeries—McGavin's, Weston's and Canadian Bakeries (producing Shelly's Bread)—are the dominant factors in the industry. There is a fourth large bakery in Vancouver, General Bakeries Ltd., which in 1946, acquired Robertson's Bakeries (previously a subsidiary of the Purity Baking Co.). There are two principal bakers' associations: the Master Bakers' Association, operating actively in Vancouver and representing the chain bakeries and one or two others, and the British Columbia Bakers' Association, in which membership is open to all bakers in the province but which, apparently, is a relatively inactive organization. The Master Bakers' Association, incorporated under the Societies' Act of British Columbia in 1939, is the dominant and active organization. There is also a local association in Victoria. The chain bakeries are the dominant factors in all the associations.

The evidence, both written and oral, establishes concerted action in the setting and maintaining of uniform prices among the three chain bakeries. There is not as great a volume of documentary evidence as in Alberta, perhaps because it is the policy of Mr. F. A. Wilson, secretary of both the Master Bakers' Association and of the British Columbia Bakers' Association, to destroy his records, including his minutes, "when they become too cumbersome". (Evidence, Vancouver, p. 419). There are, nevertheless, sufficient documents supported by testimony to establish that the policies and practices in British Columbia have been similar to those in Alberta, and that the principal bakeries concerned are the same firms operating in both provinces. The evidence, therefore, tends to establish the fact that the agreements to lessen competition are not solely of a local or provincial nature but are wider and are intended to cover and do cover the activities of the Western chain bakeries in Alberta, British Columbia, and, as will be shown, in Saskatchewan. In other words, the evidence establishes that concerted action to lessen competition on a local or regional basis is part of an over-all policy to this end agreed upon and enforced by the three chain bakeries in the three provinces.

The general policy and the reasons therefore were clearly and frankly stated in evidence by Mr. D. A. Ross, assistant general manager and secretary-treasurer of Canadian Bakeries Limited. After confirming the fact that the local managers have authority to discuss and do discuss prices with their competitors, he stated:

> Q. THE COMMISSIONER: You have an agreement with the principal bakeries that the same standard loaf shall sell at the same price?
>
> A. I don't know that you could call it an agreement.
>
> Q. An understanding then?
>
> A. Yes, shall we say, whatever price is set by any one bakery, all the other bakeries of comparative size must follow to protect their own volume.
>
> Q. It is not only the case of one bakery setting a price, you discuss prices?
>
> A. Yes.
>
> Q. You cannot enforce it by law or by a Police Force, but it is an understanding arrived at after discussion?
>
> A. Yes, the main bakeries sell at the same price, we think that is absolutely necessary in this business.
>
> Q. You think it necessary from the economic point of view?
>
> A. Yes.

Q. I appreciate your frankness in that. There is a general understanding or fe that the business has to be operated on that basis, that doesn't apply to any particular province but extends over the Western Provinces, even if it does not opera the east?

A. We have just started in Yorkton . . .

Q. But that is the general understanding in the west?

A. Yes.

(Evidence, Vancouver, pp. 276-2

Mr. Ross further expressed the opinion that the absence of agreements understandings on prices would be detrimental to the baking industry. He said:

Q. Don't you think that if you fixed your price, Mr. Conrad fixed his price indivi ally, McGavins fixed their price individually, that the consumer might be able to bread at a lower price?

A. I don't think so. And because I think that our costs and the McGavin co are almost identical. We are living under the same labour agreement, we have in situation slightly different problems perhaps, that is the door to door business w they are not in. But their costs and ours would be close together with the one except the door to door end.

Q. If there was a lower price by one cent, you would have to lower your price. that what you say?

A. Yes, immediately, otherwise we would lose our volume.

Q. Do you think that would lead to conditions detrimental to the public? Is t what you think?

A. No, no. The public would buy bread at a cheaper price, it would be a detrim to the baking industry.

Q. Under the system required for the baking industry, would it be correct to that the competition amongst the larger bakeries is mainly through salesmanship?

A. Yes, salesmanship and the quality of the product. We have already discussed quality of the product. All the bakeries are putting out a good product.

(Evidence, Vancouver, p. 2

1. Agreements on Wholesale and Retail Prices

The Master Bakers' Association operating in Vancouver was organized about 1930. While most of its records are no longer available, the evidence sh that it concerned itself with price agreements and arrangements in the y prior to the War and since. The bakers' view of the functions of the Associati was expressed in a letter of January 11, 1943, signed by Mr. James McGav president of the McGavin companies, as follows:

"If we can't agree on a thing as basic as 'no price-cutting', we might just as w not have an Association and I for one, am not interested in an Association that w work even to that extent."

(Exhibit 4

The evidence establishes that the bakers, acting through the Associati did make price agreements and arrangements. For example, on July 13, 19 Mr. Conrad requested a list of bread prices in Vancouver from Mr. Addems, w forwarded the list on July 17, 1943, with the following note:

"Another angle is the fact that all the prices, while they have been arranged by Association, are not always strictly adhered to, for reasons best known to your g self."

(Exhibit 4

On July 12, 1938, Mr. Davidson, then secretary of the Association, wr Mr. Weir, secretary of the southern division of the Alberta Association, follows:

"Now with regard to the prices in Vancouver; the five largest bakeries are suppo to be maintaining a wagon price of 12 loaves for a dollar and ten cents, i.e. 9½ cents loaf of 16 oz., or 15 oz. wrapped. (This is, of course, an unseen price and I cannot vo for its 100 per cent observance). Out of the stores the price of this bread is 9 cents two loaves for 17 cents. This is a visible price, and I can report that it is being v

decently observed. The general wholesale price of this bread is 7½ cents. Here again we are dealing with an unseen price, and in some instances I have my doubts about its observance.

. . . .

The larger bakeries here are not yet seriously considering a cut in bread prices. For one thing the crop is not yet assured, so that the present price level of flour may not continue. It is felt here, as in Calgary, that the reduction to date does not yet warrant any reduction either. We are watching things very closely however, particularly the low prices of some of the smaller shops, and will be governed by future developments."

(Exhibit 339)

On August 10, 1938, Mr. Davidson followed this up with another letter to Mr. Weir:

"As you will doubtless have already heard from some of the Bakers in Calgary, there has been a drop in the price structure in Vancouver. The present basis is:

Wholesale	6½ cents
Stores	8 cents; 2/15 cents
House	12 for $1.00

This is the basis of the larger Bakeries. It has only been in effect for two days, and there are naturally numerous other prices among the smaller Bakeries. However, prior to this adjustment, prices all over town were getting extremely ragged, and we have reason for supposing that now things should become considerably more uniform than they were before."

(Exhibit 340)

On October 29, 1938, Mr. Davidson wrote Mr. Weir as follows:

"Meanwhile another little bomb has exploded. The Safeway Chain have handed in notification that they will be making a half-cent reduction in their bread prices on Monday next, October 31; and there has been nothing that we could [do] to stop them. The Department Stores are going to meet them. The large Bakeries however have decided that they will try for a week to hold on as they are, and see how things go. The outlook is far from encouraging however, and there is a serious risk of our getting into a bit of a war. As this would have very serious consequences, we are doing all we can to prevent it."

(Exhibit 343)

On September 11, 1939, Mr. R. W. Ward, president and general manager of Canadian Bakeries Limited, wrote to Mr. Davidson:

" Very soon we bakers have got to get our prices up otherwise our ingredient cost is going to eat us up. There is a movement both in Alberta and Saskatchewan to have price advance one cent per loaf within the next ten days. It would be a fine thing if all three Western Provinces moved together.

Has anything been done in Vancouver recently? Safeways are willing to co-operate with us and I am sure Woodwards and Spencers will play ball. The foreign bakers in Vancouver should not be hard to convince . . .

Will you use all the pressure possible to see what can be done at once?

Will you please treat this letter as confidential?"

(Exhibit 301)

It will be noted that Mr. Ward asked Mr. Davidson to "use all the pressure possible to see what can be done at once" with a view to raising prices and that it would be a fine thing if all three Western Provinces moved together".

On September 16, 1939, Mr. Davidson replied to Mr. Ward's letter:

"I had delayed answering until to-day in the hope that I might have had something to tell you in the nature of progress. Early this week I had the smaller delivery bakers together in an attempt to straighten out the lower order first. While all at the meeting expressed themselves as anxious to come up, footling objections were raised that meant delay. The second meeting of this group took place last night, but was only partially attended and was therefore no more successful than the first meeting.

The Vancouver price situation at present is roughly this:

Primary Bread ex stores				7½ cents
Secondary	"	"	"	6 cents
Tertiary	"	"	"	5 cents (mainly unwrapped)

and there is below this another stratum at about 4½ cents a pound.

There is therefore a spread of 3 cents a pound between top and cheapest bread. The first step therefore is to get all the five-cent and lower off the streets, and this was the

purpose of the two meetings held this week. Safeway have no intention of making any move from their present six-cent position until this has been done. All this naturally impedes primary bakers from thinking of making any move just yet.

There is no need for me to enlarge on the complexities of getting this lower stratum to move together—more especially with some of them still long a bit of cheap flour. I shall continue to work away at them, but I fear that the delay which has occurred already will be sufficient to make it impossible for us to put into effect a general advance simultaneously with Alberta and Saskatchewan.

I will write you again when there is something more worth reporting.

(Exhibit 301)

Following the outbreak of war the Vancouver bakers continued the established policy and practice of meeting to discuss uniform action on prices. For example, as in Alberta, Safeway Stores were apparently not co-operative before a price increase went into effect in or about July, 1941. On June 13, 1941, Mr. A. C. Cowan, then manager of Westons, Vancouver, wote to Mr. Conrad, as follows:

"Prices of bread were not advanced yet owing to Safeway not doing what they promised Mr. Wilson just before you left here. I asked Mr. Wilson to prepare a brief that I could send to you explaining his endeavours to try and find a solution that might help bring those unwilling to co-operate together."

(Exhibit 564)

On June 19th, 1941, Mr. Cowan again reported to Mr. Conrad:

"Another meeting was held yesterday morning and the proposed bread price increase discussed. I am happy to say some progress was made so far as the small delivery bakeries are concerned. We appear to have instilled a better feeling among them. To prove that they have raised the wholesale prices to five cents to stores to be resold at six cents, that is what Mr. Crimp of Safeway wanted. Now, surely he will increase his prices and help the industry as a whole. Mr. Ward went to Nanaimo last night and hoped to meet Mr. Crimp in Victoria to-day. The move up will depend on Safeway now.

We will work on a cake adjustment of weight and prices as soon as the bread prices are advanced. We have had our first meeting last Tuesday evening, all classes of bakeries attended and we got a very good start."

(Exhibit 565)

The bakers had difficulties not only with Safeway, but also with Mr. Armstrong, manager of Robertson's Bakeries Ltd., then owned by the Purity Baking Co. (Robertson's now operates as General Bakeries Ltd., and is a branch of the chain with head office in Toronto). Mr. W. E. Gordon, Toronto, was general manager of Purity Baking Co. and was Mr. Armstrong's senior officer. On July 7, 1941, Mr. F. A. Wilson, the new secretary of the Master Bakers' Association, wired Mr. H. S. Conrad, vice-president and managing director of Weston's, as follows:

"Delegation trade board obtained no immediate results but matter under consideration by chain stores with some hope success but no guarantee stop All other members wish to act at once independent of department and chain except Armstrong stop They strongly feel that full value of present public feeling may be lost and small shops weaken if prompt action not taken stop Would it be wise for you to contact Gordon with suggestion he influence Armstrong to cooperate as others will not act without him."

(Exhibit 458)

Mr. Conrad advised Mr. Wilson on July 10, 1941, that he had contacted Mr. Gordon and that the latter was communicating with Mr. Armstrong (Exhibit 460).

On July 10, 1941, Mr. Gordon wired Mr. Armstrong:

"Conrad phoned from Winnipeg suggesting all bakers go up Monday next and Safeway would follow in forty-eight hours after. Wire me your recommendation."

(Exhibit 583)

In evidence on this correspondence, Mr. Wilson said:

Q. All right, now will you tell me why you wanted Mr. Gordon contacted?

A. I supposed that Mr. Gordon might exercise some influence upon the decision of Mr. Armstrong.

Q. Mr. Armstrong was struggling to get volume, and he was putting his wholesale price low?

A. I don't know that, it is true, generally true, that the bakeries were trying to get volume.

Q. Couldn't you have gone and seen Armstrong yourself, why did you have to wire Conrad to go and see, or rather get in touch with Gordon. What was the trouble, was Armstrong reluctant to follow the other bakeries?

A. He was more reluctant than the others.

Q. And Mr. Gordon was to put pressure on him to hasten him along?

A. That would be the inference, yes.

Q. Was that the situation?

A. Yes, I think that might be so, it was a question of getting Mr. Gordon to use his influence on Armstrong.

(Evidence, Vancouver, pp. 407-408)

While these meetings were being held to discuss the price of bread, there were other meetings on cake prices. On July 11, 1941, Mr. H. B. Addems, newly-appointed manager of Weston's, Vancouver, reported to Mr. Conrad that "Mr. Wilson called me off to a cake prices meeting this morning. It was a committee to get new prices lined up" (Exhibit 438).

In his acknowledgement, on July 14, 1941, Mr. Conrad replied that he was sure "that the move with regard to the stabilization of the cake prices and weights which you have under consideration with the other bakers is going to be beneficial" (Exhibit 439).

On July 18, 1941, Mr. Addems advised Mr. Conrad that he had attended another meeting "in connection with cake prices" but could not report any definite action about bread prices yet. (Exhibit 440).

On July 27, 1941, Mr. Addems reported to Mr. Conrad that new bread prices had been agreed upon. He said:

"You will be very glad to learn that after numerous Bakers Meetings, we have finally agreed to raise the price tomorrow morning. There is a proviso in the deal by Robertson's that they reserve the right to check their production in 10 days time and if for some reason, like Safeway or Woodward's not having gone up, and this caused Robertson's production to suffer, then they reserve the right to reduce their price—of course they did agree to notify us. It was specifically requested that the greatest possible secrecy be maintained about the raise."

(Exhibit 442)

Mr. Conrad approved the agreement to increase prices in a letter to Mr. Addems, dated July 29, 1941:

"I am more than delighted that the price of bread may be up in Vancouver this morning. It is not hard to understand the attitude of Robertson's because Mr. Armstrong was placed in an embarrassing position upon a similar occasion a year ago."

(Exhibit 443)

In evidence, Mr. Addems said:

Q. THE COMMISSIONER. Is it correct to say, on reading this letter, that you did not decide to raise prices yourself, as Weston's, but there was an agreement amongst the bakeries that they would all raise their prices?

A. I don't think they all did.

Q. Who didn't?

A. Well I mentioned there about Robertson's, and then there were Safeways and Woodwards for instance, I don't think Safeways and Woodwards went up, I am not clear on that.

Q. You didn't expect them to go up, you were concerned with your own bread, Robertson's, McGavin's and Shelly's?

A. Yes, those were the ones who contributed to the union agreement we all signed the agreement.

Q. And those bakeries agreed to raise the price by the same amount on the same day?

A. Yes.

(Evidence, Vancouver, p. 380)

It appears that the bakers continued to find Robertson's Bakeries uncooperative even after the price increase of July, 1941, had been effected. Mr. Addems, for example, objected to Robertson's "aggressive policy", and complained to Mr. Conrad. In evidence, he said:

Q. On what basis did you complain, that is what I am trying to find out. Did you and Armstrong compete or didn't you?

A. And how.

Q. If you were competing why did you complain about your competitor, all you had to do was to compete with him, meet his terms, isn't that so, or was there an understanding that he was doing things that he was not supposed to do, were there certain things he was not supposed to do?

A. The point is, the story I am talking about is, for example as far as we were concerned, was to observe the regular price.

Q. Who sets the regular price?

A. We do.

Q. Who are we?

A. Weston's, we name our price.

Q. Weston's sets a price, and Robertson's sell to one of their customers at a lower price, what right has Weston's to complain about Robertson's business methods?

A. That type of thing existed before I landed there.

Q. You are either competing or you are not, I want you to tell me the truth about it. There is only one conclusion it seems to me that I can come to, that Weston's and Robertson's and the other larger bakeries, had an understanding that the price had to be 11 cents. You had that understanding and Mr. Armstrong was violating that understanding. Isn't that right?

A. Yes.

Q. And on that basis you complained about their business methods?

No answer.

Q. That is the reason you would complain?

A. Yes.

(Evidence, Vancouver, pp. 377-378)

The difficulties with Robertson's were discussed at bakers' meetings, and on August 7, 1941, Mr. Addems reported to Mr. Conrad, as follows:

"Mr. McGavin hinted that he thought we may have to drop prices again. Everyone else opposed him, and it was left as is until a further meeting. I sincerely hope we can hold the new prices."

(Exhibit 445)

Early in 1943, the bakers were still concerned about Robertson's competition and again attempted to bring pressure to bear upon Mr. Armstrong. On January 11, 1943, Mr. James McGavin, president of the McGavin companies, wrote to Mr. W. E. Gordon, general manager of Purity Baking, Toronto, as follows:

"For some time now, we have had more than a feeling that your Vancouver plant has been cutting the price either by direct discount or monthly allowance.

Recently we have had it brought up by storekeepers, more than ever before, that Purity salesmen are cutting the price in all parts of the city.

Our Vancouver Master Bakers' Assn. has been getting along quite well. There is however, throughout its members, a distinct feeling that Mr. Armstrong is chiselling to get business and when this is mentioned, he absolutely denies it. If Mr. Armstrong isn't doing the cutting, it must be being done by salesmen themselves, and while that is hard to stop, it can be stopped if the Company insists and we in our experience, have never known of salesmen paying out their own money to increase sales.

The Master Bakers' Assn. in Alberta is working exceptionally well because of the confidence and faith each member has for his competitor and that is decidedly lacking here. Mr. Armstrong as President of the Master Bakers' Assn. should be interested in keeping away from the encouragement of chiselling methods of doing business which cannot be covered up indefinitely. If we can't agree on a thing as basic as 'no price-cutting', we might just as well not have an Association and I for one, am not interested in an Association that won't work even to that extent.

Once before you wrote to Vancouver, and I must say, with some effect. It should help a lot if you could again look into this, as all in Vancouver are quite upset about the whole situation and it could develop into something worse, which I'm sure, none of us want.

There is enough business for all bakeries here at present, without one or more of the larger concerns, who have been working together for years, trying to stabilize conditions in our industry, upsetting it at this time.

Kindly let me hear from you at your earliest, before something worse happens in this market."

(Exhibit 401)

Mr. McGavin sent a copy of this letter to Mr. Conrad, of Weston's, who, on January 14, 1943, sent a copy to Mr. Addems, and commented:

"Apparently Robertson's are out to get business back from McGavin's and in doing so are taking some from us too, which backs up the discussion we had during our last visit.

Now, Harold, as far as you know, you have not seen a copy of this letter but I am going to put it in my file to discuss with you. If the situation really becomes serious, we should all band together and warn Robertson's what will happen if they do not change their methods.

Please hold this matter in strictest confidence."

(Exhibit 447)

Apparently the bakers, to use Mr. Conrad's words, did "band together and warn Robertson's" of many things. On January 28, 1943, Mr. Addems advised Mr. Conrad that "more fireworks took place" at the regular bakers' meeting and that "Canadian Bakeries and McGavin's turned the heat on Robertson's for their overly aggressive tactics during the past year". He further advised him that Mr. R. W. Ward, of Canadian Bakeries, proposed to write to Mr. Gordon on behalf of the bakers to complain about Robertson's (Exhibit 449). Mr. Conrad replied on January 30, 1943, as follows:

"I am interested in what you say in your letter of the 28th about Robertson's and I will plan to talk with Mr. Ward in Calgary on my return from Vancouver. Certainly I think that the larger bakeries in Vancouver have to put up a solid front against these people, else they will ruin not only our own business but the others as well."

(Exhibit 450)

The evidence thus establishes concerted action on the part of the three chain bakeries to force Robertson's to adhere to agreed prices. It has been shown that Mr. James McGavin, president of the McGavin companies, wrote, and that Mr. R. W. Ward, president of Canadian Bakeries undertook to write, to Mr. Gordon, general manager of Purity Baking, with a view to obtaining his co-operation in inducing Mr. Armstrong to adhere to the practices and policies of the three chain bakeries and the Association. On March 18, 1943, Mr. Conrad, vice-president and managing director of Weston's also wrote to Mr. Gordon, after visiting Vancouver where he had met with the other bakers. He said, in part:

"There is one point, however, on which our company, as well as other competing companies in that location, are agreed and that is that your company, we believe, has some means whereby most, if not all, of the grocers receive a lower price than the legally constituted wholesale price. I believe, Mr. Gordon, that if you were aware that such a practice was being carried out, you would not agree to it for one moment. The situation is, I believe, serious and several of the larger bakers met in Vancouver during my last visit out there to see what might be done about it because of the inroad in their sales as well as ours.

Now, Mr. Gordon, you know as well as I do that if you take the bread of all of the larger companies in Vancouver and place it side by side and score it, there is not enough difference in any one company's Bread from a flavour or appearance standpoint to take away a lot of business. Our wholesale business in Vancouver is not large but within the last six months we have lost a number of accounts to your company, varying from a daily order of say 8 loaves-25 loaves. We do not in the least fear aggressive competition, in fact we welcome it because it stimulates the sales personnel of our company and competitive companies as well and tends for better sales policies and programs in business but when stores with whom our company has been dealing for a long time suddenly overnight, and I mean just that, tell us there is no call for our bread, which has been replaced by your bread, then there is something going on we cannot fathom.

Our bread in Vancouver, we believe, is equal to your bread or to any bread on the market at the present time.

Frankly, I hope that you will take steps to investigate the situation and if you find there is at least some truth in my statement and the statements of some others who have written or are going to write you as well, that you will remedy the situation immediately; otherwise I am going to be frank in saying that our company cannot continue to stand the loss in wholesale business to your company which it has done during the past six months, not because of quality but because of some other practice which has a tendency, we believe, to give the dealer a lower price."

Mr. Gordon replied to Mr. Conrad on March 26, 1943, as follows:

"I am quite concerned about the whole attitude, and some months ago had a letter from Mr. Ward and Mr. McGavin on this subject. I 'phoned Mr. Armstrong in Vancouver and then talked with Mr. Ward at Calgary, with the result that I felt the matter was pretty well understood by all parties, so much so that I said at that time to Mr. Ward that I was quite willing to go to Vancouver about February 15th to sit in with the bakers if there was any thought that there was likely to be some disruption in the industry. He afterwards assured me that he did not think it was necessary, and of course I have heard very little on this subject since.

I have just been in touch with Mr. Armstrong and am having him come to Toronto on April 4th for a few days, when I will be reviewing this whole situation in detail with him again. He has assured me again over the 'phone that there is no truth in the supposition that he is giving lower prices. He tells me that his unit return, which I get here regularly, should verify this."

(Exhibit 569)

On April 6, 1943, Mr. Conrad wrote a confidential letter to Mr. Ward telling him that he had written to Mr. Gordon. He said:

"You will recall the discussion we had in Vancouver regarding some practices which we believed Robertson's were using and which we were of the opinion were detrimental to the welfare of the baking industry in that city.

We both agreed that we would write to Mr. Gordon so I refrained from writing him immediately after I came back, thinking that you would be writing him as soon as you returned and that being the case, it would not appear as if we had agreed together to write him at the same time.

However, I did write him a very nice letter telling him that I was very pleased to know that the situation in regard to hot bread [i.e., special store deliveries of freshly-baked bread] was gradually, though slowly disappearing and that in due course it was Mr. Armstrong's intention to discontinue that service as soon as he reasonably could.

I pointed out to Mr. Gordon what we thought the situation was in regard to increased volume which Robertson's are now enjoying to your detriment and ours as well. There is no need for me to enlarge further because we went into all angles in Vancouver but for your information I am enclosing herewith copy of letter dated March 26th which I received from Mr. Gordon and in which he makes a denial that Mr Armstrong has in effect any practices which are other than those strictly laid down by the Association."

(Exhibit 302)

Early in 1944, the difficulties with Robertson's Bakeries came to a head again. On April 10, 1944, Mr. Conrad wrote to Mr. Addems of a prospective meeting of the bakers in Vancouver:

"I have had some correspondence with Mr. James McGavin in regard to price cutting and unfair practices at present in effect in Vancouver.

He believes that we should all get together and discuss these practices thoroughly. I quite agree with him and to that effect a tentative date has been set for such a meeting, namely Friday, May 5th."

(Exhibit 453)

The meeting took place on May 5, 1944, and was attended by Mr. James McGavin, Mr. R. W. Ward, Mr. Conrad, Mr. Gordon, and the local managers of each branch. The principal subject under discussion was Robertson's alleged practice of giving secret rebates and discounts. It was agreed at the meeting that existing discounts would have to be maintained under the Wartime Prices and Trade Board regulations, but that no new discounts would be given. It was further agreed that all existing discounts would be filed with the secretary of the Association (Exhibit 426).

In evidence, Mr. Addems said:

Q. Evidently in 1944 the difficulty with Robertson's was still continuing?
A. Yes.
Q. That was the year Mr. Gordon came out as a result of the complaints?
A. Yes, 1944, yes.
Q. A meeting was held at Vancouver when he was here?
A. Yes.
Q. You were at that meeting?
A. Yes.
Q. Did Mr. Gordon give any assurance on behalf of Armstrong, that they were going to work co-operatively, at that meeting?
A. Well, the whole thing was discussed about this stuff we have been talking about, it seemed as though it was necessary to look into it and discuss it, and as a result of that I guess it would be right to say, there was an assurance, yes.
Q. It was agreed at that meeting was it, that all the bakeries should file a list of the special discounts, the discounts below the open wholesale price, with Mr. Wilson?
A. Yes, we did.
Q. And that was done by all the bakeries?
A. Yes, we did that.

(Evidence, Vancouver, pp. 387-388)

Mr. Allan McGavin, Jr., confirmed the result of the meeting in his evidence:

Q. Were you able to clear up the discount situation, as far as Armstrong was concerned?
A. We were able to stop discounts going any further than they had to this point.

(Evidence, Vancouver, p. 130)

In a letter to Mr. Gordon, dated May 6, 1944, Mr. James McGavin expressed his pleasure with the results of the meeting and said "I am sure that the meeting and other meetings of its kind can bring us closer together on our mutual problems" (Exhibit 426).

The evidence with respect to this meeting and the resulting agreement establish concerted action to "freeze" and to maintain the wholesale price of bread by exercising pressure on a competitor, that is, Robertson's Bakeries. It was the same kind of pressure that was used in Alberta to force various bakers to enter into and observe the agreements promoted by the three chain bakeries. The purpose was to lessen competition.

In evidence, Mr. Armstrong admitted that Robertson's Bakeries did not have a uniform wholesale price because of certain discounts and that the other bakers were opposed to this. He said:

Q. You were competing, from what you have told me, as an individual, working for yourself?
A. Yes.
Q. Trying to promote the interest and the sales of your company?
A. Yes.
Q. Presumably if you gave discounts, and I am not criticizing you for that, it was because it was profitable for the business?
A. Yes.
Q. And the other bakeries didn't like this situation?
A. Evidently they were quite opposed to it, the fact that they made a complaint to Mr. Gordon shows that, they didn't take it up with me.
.....
Q. Let me ask you this question. You are impressing me with the fact that you as manager of a company operating on your own were prepared to compete on a wholesale basis. Is that correct?
A. I wasn't going out on a cut price basis, I was going out on a profitable basis, one that would be necessary to show a profit at the end of the period.
Q. And in order to get that profit, you were prepared to give discounts, which might make the wholesale price lower than your competitors, which is competition?
A. It might have worked out that way, we didn't follow the line of discounts they had.
Q. You didn't follow, you went out on your own?
A. We set out our own pattern.
Q. Which is competition?
A. Yes.

(Evidence, Vancouver, pp. 326-328)

It appears from the evidence that the meeting of the heads of the bakeries promoted a greater degree of co-operation among them. On November 21, 1945, Mr. James McGavin wrote to Mr. D. A. Ross, of Canadian Bakeries, with respect to another meeting, held at the Vancouver Hotel during the previous week. He said:

> "My main reason for this letter was to express to you my feelings about the different atmosphere that now prevails among the local men who meet each week.
>
> I can see quite a change recently; there is a feeling of trust and confidence in each other, that should go a long way towards ironing out our problems here, which I am sure will be for the good of our industry in Western Canada."
>
> (Exhibit 306)

The Association felt at this time that co-operation would be more assured if the various agreements and understandings in the industry were embodied in a code or memorandum. Accordingly, the minutes of a meeting held in Vancouver on November 22, 1945, contain the following item:

> "Also it was proposed that we consolidate and bring up to date in one complete list the agreements already reached concerning slicing, wrapping, size of pans, etc., and such other uniform practices and business ethics as might be found agreeable to all members and that this be undertaken at the next meeting."
>
> (Exhibit 579)

A memorandum was drafted at the following meeting, held on November 27, 1945, confirming "the decisions arrived at in our recent conversation of November 16". These decisions covered a number of items and included the following:

> "It was understood that any increase in the price of bread would bring about the discontinuing of all rebates and discounts of any nature.
>
> When the price of bread next changes, the retailer will be charged full re-sale price for his bread, less 20 per cent, to bring it to his wholesale price. This would apply to restaurants too, and for cake sales.
>
> Unwrapped bread would be the same price as wrapped bread, and all Bakeries would produce only a one-quality loaf.
>
> The shipping price would be ½ cent a loaf less than the price prevailing to the City merchants, and it would be in the nature of ½ cent for freight allowance.
>
> It is further agreed that shipping cartons will be purchased by the individual Companies and charged to their accounts at 20 cents and that these cartons should be credited at 20 cents in these accounts, when they are returned.
>
> No bread will be shipped unless these boxes are charged for."
>
> (Exhibit 219)

Some of these provisions were subsequently embodied in the "Code of Business Ethics" adopted at the Western Conference of bakers held in Calgary on May 7 and 8, 1946. On April 29, 1946, Mr. H. G. Bird, secretary of the southern division of the Alberta Association, wrote to Mr. Wilson, secretary of the Vancouver Association, with reference to the Western Conference. He said:

> "As per my telegram, the boys here feel that this conference should be devoted entirely to work—no speeches, no entertainment. They feel we should get our feet under the table, and build a foundation, whereby we can, if necessary, (believe me, it will be necessary), take interprovincial action *on any matter* that affects the welfare of this industry, particularly in the four Western Provinces."
>
> (Exhibit 415)

At the conference held in Calgary on May 7 and 8, 1946, there was adopted the "Code of Business Ethics" of the Alberta Master Bakers' Association, already referred to in reference to the operations of the Alberta bakers. In addition to the provisions which were to be generally applicable, the Code included three clauses which applied to British Columbia alone, as follows:

> "Discounts and Rebates. If and when any increase in the price of bread is made, then all discounts and rebates will be eliminated. (This to concern British Columbia only. Merits to be considered by other Provinces.)

PRICE CHANGES. When the price of bread is changed, then the wholesale price of bread, cake and bakery products will be the retail price less 20 per cent. This applies also to all restaurants, hotels, cafes and eating places. (This Clause applies to British Columbia only. Merits to be considered by other Provinces.)

SHIPPING PRICE. Shipping price will be one-half cent less than City price, which is for freight allowance. (This Clause applies to British Columbia only.)"

(Exhibit 32)

In evidence, Mr. Allan McGavin, Jr., denied that the decisions of the bakers constituted a code or a binding agreement and asserted that there was merely an "understanding". He said:

Q. THE COMMISSIONER: What do you call it?

A. I call it an understanding. I would say that I am interested in that, very interested, but I am not bound by it, or tying myself down to it all the time. I agreed during the war years, and this is a wonderful thing and it should be carried on in the same way to bring about harmony among ourselves. That is what a Code means. We are not hidebound by this stuff, or hidebound by what we call a proper way of doing business.

....

Q. MR. LOGAN: What is the purpose of a meeting drawing up a rule if there is not some duty to abide by that rule?

A. We are abiding by them.

Q. THE COMMISSIONER: You interpret this as not being a contract or an agreement but an understanding, in which the bakers concurred, and while you live up to it you do not feel yourself bound for all time by it, or something to that effect. Is that what you mean?

A. Yes. We are all in the baking business, and the idea is, we are sitting around and you have what may be a bad practice and I have mine. We all table what we think are bad practices, everyone admits they are bad practices and they will upset the industry, and it is understood they must be cut out. That is what I meant, and that is all. There is no agreement, no binding agreement to live up to these things a hundred per cent, but a baker would be a damned fool to upset it.

(Evidence, Vancouver, p. 80)

Mr. Addems, of Weston's, considered the Code more binding. He said, in evidence:

Q. Would you consider it an infraction of the Code if Robertson's reduced their price generally?

A. Sure. (Evidence, Vancouver, p. 394)

In 1947 the bakers were concerned with the prospective de-control of bread and cake prices. On January 31, 1947, they were notified by the Wartime Prices and Trade Board that it had authorized an increase of 10 per cent in the price of cakes and sweet goods. Accordingly, the minutes of a meeting of the Association held in Vancouver on February 3, 1947, report that:

"This matter was discussed at some length and it was finally decided to introduce the following new prices beginning Thursday morning, February 6, 1947, namely:

From 15 cents to 17 cents
" 20 cents to 22 cents
" 25 cents to 28 cents
" 30 cents to 33 cents
" 35 cents to 39 cents
" 40 cents to 44 cents

All goods to be billed out at retail prices and the wholesale price will be 20 per cent less. This applies also to shipping prices."

(Exhibit 580)

It is important to note that, as in Alberta, the bakers agreed upon the new prices and fixed a date on which they would become effective.

On February 4, 1947, Mr. H. C. Wright, general manager of General Bakeries Ltd., wrote to Mr. Armstrong on the increase in the price of baking products other than bread, as follows:

"The Toronto Bakers had their meeting yesterday and I am very sorry to say they cannot all agree to immediately take advantage of the 10 per cent increase allowed by the Government on all our products except bread, as defined in the Order, but I hope a satisfactory agreement will be reached before the end of the week.

I am sure you will have had meetings with your association or competitors and I hope you have reached an agreement so you can take advantage of the 10 per cent increase and I would be very much interested in hearing from you as to what has been done and just what this increase will mean to your plant, as this is something that has to be handled by the local manager as conditions are so different at each point. If you would forward me one of your order forms showing the prices you have been selling at and, in pencil, show the new prices, I would very much appreciate it."

(Exhibit 428)

Mr. Armstrong replied on February 6, 1947:

"We have for acknowledgment your letter of February 4 regarding increased prices, and would say that the Bakers here, locally, have arranged to take advantage of the 10 per cent increase effective to-day.

We are enclosing a list of our former selling prices, and in pencil the new prices. The new prices are less 20 per cent to arrive at our wholesale selling price, this applies to Country as well as City sales."

(Exhibit 429)

On September 14, 1947, the Dominion Government announced the removal of the subsidy on flour and of the price ceiling on bread. On September 17, 1947, the Western chain bakeries increased their bread prices uniformly in Victoria, the wholesale price increasing from 7½ cents to 9½ cents per loaf and the retail price from 9 cents to 11 cents both out of the store and off the wagon. On the following day, September 18, the big bakeries increased their prices uniformly in Vancouver, the wholesale price increasing from 7 cents to 11 cents less 20 per cent, and the retail price from 8 cents to 11 cents or two loaves for 21 cents out of the store. Only two of the chain bakeries make wagon deliveries in Vancouver and both increased their prices on house to house deliveries from 9 cents to 11 cents at the same time. Prices also rose uniformly in Nanaimo on September 18.

The increase in bread prices in British Columbia, as in Alberta, had been preceded by Association meetings and discussions among the larger bakers on the new prices. In this connection, the following extract from the minutes of a meeting of the Master Bakers' Association, Vancouver, held on September 16, 1947, is of interest:

"Removal of Flour Subsidy

There was considerable comment and conversation concerning press reports of the removal of the subsidy on flour and the removal of price controls. No definite information as to the exact increase in flour prices was available but it had been rumoured that the increase would probably be between $4.00 and $4.30 per barrel. The opinion was expressed that the increase in flour prices would force an increase in bread prices but it was pointed out that, under the provisions of the Combines Act, there could be no discussion or agreement as to what the increase might be and that any increase which might be found necessary would have to result from independent action and individual decision on the part of any bakery desiring to increase prices."

(Exhibit 581)

The foregoing minutes were signed by Mr. F. A. Wilson, secretary of the Association. In evidence, he said:

Q. Is the matter of price, either wholesale or retail, discussed at any of the meetings, has it been discussed at any of the meetings at which you were present?

A. There are general comments on the price of products, yes.

Q. When there are such general comments, do you make reference to them in the minutes?

A. No.

Q. There were a number of meetings immediately prior to September the 18th, 1947, were you present at any of those meetings prior to that date?

A. Yes.

Q. Was there any discussion as to the subsidy being removed, and as to the price increases that would follow the removal of the subsidy?

A. Yes.

(Evidence, Vancouver, p. 396)

Mr. B. M. Colwell, executive assistant of Canadian Bakeries, Vancouver, said in evidence:

Q. Did you attend any meetings in July, 1947, at which the question of the subsidy was discussed?

A. Yes.

Q. Where were the meetings held?
A. In the Master Bakers' Association office.
Q. Who were present?
A. Generally at all of the meetings there were Mr. Allan McGavin, Mr. Armstrong of Robertsons now General Bakeries, Mr. Addems of Weston's Bread and Cake, Mr. Gold of Mother Hubbard, myself, and Mr. Wilson, the secretary.
Q. It was generally understood among the bakeries, that if the subsidy went off completely, the necessary increase would bring the price to 11 cents?
A. I wouldn't just say that. I was President of the Association and as such made frequent trips to Ottawa to the National Council all during the war years. During the latter part of the war period the question of the subsidies was very much in the mind of everybody, if the subsidies were to go off and the effect it would have on other things that would have to go up. I would say that for at least a year and a half we frequently discussed the increased costs in the price of bread and what we eventually have to get to.

.....

Q. The secret discounts were eliminated after September the 18th?
A. Yes.
Q. You don't know of anyone giving secret discounts now?
A. I don't know of any, no. You hear rumours once in a while.
Q. You had a meeting immediately after September 15, 1947?
A. Monday, Tuesday and Wednesday, we had meetings nearly every day, on the labour agreements mostly.
Q. Prices were discussed?
A. Yes.
Q. All the bakeries increased their price, all the larger bakeries increased their price on September 18, 1947?
A. On the Thursday morning. I forget the date.

(Evidence, Vancouver, pp. 291-293)

Mr. Armstrong, of General Bakeries, admitted in evidence that there had been meetings and discussions on the effects of the removal of the flour subsidy on bakers' costs, but said that the uniform increase which became effective on the same day was a coincidence. At the same time he admitted that when he increased the price of General Bakeries' bread, he had about seven or eight days' supply of subsidized flour on hand. (Evidence, Vancouver, p. 316).

Mr. Allan McGavin, Jr., said in evidence:

Q. Did they arrive at the increase individually?
A. No, not necessarily individually. I won't for one moment hesitate in telling you that I have talked costs, and only costs, at the Bakers' Association, and as a matter of fact as far as our company is concerned, we realized two years ago that we would have to have a three cent increase when the subsidy was removed.

(Evidence, Vancouver, p. 58)

At another point Mr. McGavin said:

Q. What have the costs to do with the selling price?
A. We are not supposed to talk selling prices, we were not supposed to, we were supposed to talk costs. I can't see the difference myself.

(Evidence, Vancouver, p. 108)

With respect to subsidized flour on hand at the time of the increase. Mr. McGavin said:

Q. THE COMMISSIONER. Did the increase of costs occur on the same day in any of the plants of your competitors?
A. I don't know about our competitors, I know flour went up and we felt we had to increase the price of bread.
Q. Regardless of subsidized flour?
A. Yes, regardless of subsidized flour. We gave no consideration to the flour on hand when we upped the price, whether we had 10 bags or 50,000 bags, we would have to up it.

(Evidence, Vancouver, pp. 47-48)

The evidence establishes that the practices and policies of the principal bakers in Vancouver were also pursued by them in other British Columbia cities, more particularly in Victoria, which has its own local association. On June 29, 1944, Mr. Law, manager of Weston's, Victoria, wrote to Mr. Conrad:

"Mr. Hanbury of McGavin's Bakeries has been approached by ten Greek-owned restaurants who wish to purchase their bread requirements in a group at a cheaper price than the prevailing 7½c per loaf. This is our wholesale price to all stores and restaurants.

A meeting of our association was called to discuss the proposition and it was unanimously agreed that we would make no reduction in our present prices."

(Exhibit 407)

In his evidence on bakers' meetings preceding the uniform increase in bread prices on September 17, 1947, Mr. Evan Hanbury, manager of McGavin's, Victoria, said:

Q. Did the bakers have a meeting around September the 15th, 1947?

A. We had several meetings around that time, with regard to the subsidy going to be removed. We were keenly interested in what was going to happen and how we were going to meet that situation.

Q. What was the decision?

A. Well, during the war our ingredients costs were raising a hundred per cent, double in price, wages had gone up, had gone up considerably due to the unionization, the forming of unions. Of course wages went higher, also when the subsidy came off flour we were faced with the fact we had to get an increase in the price of bread. We talked it over, not with the view of raising the price of bread so much as how we were to take care of the costs of ingredients after the removal of subsidies. We came to a point of 2 cents that that would be a fair value and would be well received by the public. At least we had to raise the price to cover the costs.

Q. The price was increased 2 cents?

A. Yes.

. . .

Q. MR. LOGAN: Did you have a meeting after the subsidy was removed on the 15th of September, 1947?

A. I think we had two or three meetings if I remember.

Q. And the matter would be discussed when the price was going up and by how much?

A. That is true.

Q. Who were the members of the Association there?

A. McLean's, Arnold's, Canadian Bakeries, Weston's, and McGavin's.

Q. Mr. Allan McGavin always asked you to work with the Association?

A. It is always to our interests, individually, outside of Mr. McGavin.

Q. The policy of the company?

A. Yes, to work with our competitors.

(Evidence, Vancouver, p. 164 et seq.)

Mr. Gordon R. Law, manager of Weston's, Victoria, said in evidence:

Q. You all went up the same time, Canadian Bakeries, McGavin's, and yourselves?

A. Yes.

Q. Are you a member of the Association at Victoria?

A. Yes.

Q. You attend meetings?

A. Yes.

Q. Did you have a meeting immediately before the price went up?

A. We discussed that price question quite considerably just before the price went up at the meeting, because the lifting of the subsidy would increase the costs, we discussed it before it was actually lifted.

Q. Did you have a meeting just before to decide on the date?

A. I believe so.

. . .

Q. Have you an understanding with McGavin's, to maintain the same retail price for the bread?

A. I will say there is an unwritten understanding.

Q. Who else is included in that understanding?

A. There are only three bakeries selling bread at 11 cents, Canadian Bakeries, McGavin's and ourselves. The others are cheaper than that in most cases.

. . .

Q. THE COMMISSIONER: Does Mr. Conrad know of your co-operation in the matter of prices, with your competitor?

A. Yes.

Q. He approves of that?

A. Yes.

Q. And you considered it in your authority so to co-operate?

A. Yes.

(Evidence, Vancouver, p. 186 et seq.)

The evidence of Mr. Hanbury and Mr. Law was confirmed by Mr. John Land, manager of Canadian Bakeries, Victoria. He said:

Q. How did you make your price change on September the 17th, 1947, under whose instructions?

A. We just discussed the matter, when the subsidy came off, what effect it would have.

Q. Who is "we"?

A. The Master Bakers' Association, what effect it would have on prices. I had no authority to change prices, that is without authority, I had to submit it to the Head Office.

. . .

Q. You did have a meeting previous to telephoning the Head Office?

A. Yes, we had a meeting and discussed it.

Q. And you telephoned Mr. Colwell and he said it was in order for you to raise your price?

A. Yes.

. . .

Q. You discuss costs and prices at the meetings of the Association?

A. Yes.

Q. And you have done that, you did it back in September?

A. Yes.

Q. Is there not some understanding that the principal bakeries will maintain the same prices?

A. Between ourselves?

Q. Yes?

A. More or less, yes. (Evidence, Vancouver, p. 362 et seq.)

The evidence of the managers of McGavin's and Canadian Bakeries in Nanaimo further confirmed the policy of discussing and agreeing upon prices. The price increase in Nanaimo, as in Vancouver and Victoria, was uniform and became effective on the same day. In evidence Mr. Peter Cowman, manager of Canadian Bakeries, Nanaimo, said:

Q. It was rather odd don't you think that you should all go from 7½ to 9·6 on the same day, exactly the same?

A. Oh well, in this business and under the conditions, you couldn't do anything else. You have to be accommodating, you have to have some agreement with each other. The labour conditions are terrible with us, and our operating costs on the island, I don't know about McGavin's, but I presume they would be much the same as ours.

(Evidence, Vancouver, pp. 357-358)

Several weeks before the removal of the flour subsidy, the Combines Investigation Commissioner made it clear to the bread-baking industry that concerted action to increase the price of bread would lead to an investigation under the Combines Act. Mr. Conrad, vice-president and managing director of Weston's, was apparently one of a number who disregarded this warning. The price of bread had been increased in September, 1947, and Mr. Conrad was leaving for a visit to England. On October 7, 1947, he sent the following instructions to Mr. Addems, manager of Weston's, Vancouver:

"Going away like this so shortly after the rise in the price of bread and with conditions somewhat unsettled in that regard, it is very necessary that you do not take any individual action by yourself in regard to prices but rather to work in harmony with your competing bakers in your territory. I cannot stress how important this is and I am simply mentioning it to emphasize it all the more. Perhaps instances may arise whereby prices become unsettled and you might like to take individual action but I would like you to take the long-term view because it will be better for our company and for the industry at large."

(Exhibit 456)

Some time after the commencement of the preliminary inquiries into the bread-baking industry Mr. Allan McGavin, Jr., on November 26, 1947, sent the following letter to all managers:

"The Bakers' Associations in the various cities and provinces were formed to stop bad practices which had been going on for years and years, to the detriment of both the companies and their employees.

We sincerely hope that none of our managers will, in any way, break faith with the members of the various Associations in which they are members. You fully realize

that you cannot enter into any price agreement with your competitors, and you are not to do this. If the price that you are selling at is the same as the price that your competitors are selling at—that is a coincidence, and happens simply because your problems are similar and competition brings you down to your competitors' prices.

Please do not pull any 'fast ones' on any of your competitors. If you have any 'beefs', take them up with the Association—I'm sure you can get some satisfaction out of them.

If you show confidence in the Association your competitors will do the same thing, and you will find business a lot easier to do under the present system than it was when everybody was dealing under the table."

(Exhibit 391)

Mr. McGavin thus warned his managers against "any price agreement with your competitors", but at the same time instructed them not to depart from the established policy of co-operation with their competitors through the bakers' associations. Such co-operation was in the main concerned with the fixing and maintaining of prices.

2. Resale Price Maintenance

It was submitted in evidence by Mr. James McGavin, Mr. Allan McGavin, Jr., and other bakery officials that the arrangements among the bakers did not injure the consumer because they were primarily concerned with the elimination of secret rebates and discounts which allegedly affected the wholesale price only and did not benefit the consumer, since the retailer did not pass on the discount to him. Rebates and discounts were therefore eliminated with the price increase of September 1947. Nevertheless, the evidence establishes that the bakers were concerned not only with the fixing and maintenance of a uniform wholesale price, but also with the fixing and maintenance of a uniform retail price. The policy of retail price maintenance in itself prevented retailers from passing on the benefits of rebates and discounts to consumers.

As in Alberta, an incident affecting Safeway Stores arose immediately after the removal of the flour subsidy. Safeway did not increase the price of their own Polly Ann bread until September 30, 1947, although the subsidy on flour was removed on September 15. On Wednesday morning, September 17, Mr. W. J. McCann, of Safeway, was advised by Mr. Hamblin, assistant manager of Weston's, Vancouver, that the retail selling price of Weston's bread would have to advance to 11 cents or 2 for 21 cents. Mr. McCann received the same advice a few minutes later from Mr. Leiper, sales manager of Canadian Bakeries, Vancouver, with respect to the retail price of Shelly's bread, produced by Canadian Bakeries. Mr. McCann insisted in both cases that Safeway wanted to sell the bread at 10 cents per loaf, since they did not deliver bread and felt that a differential of one cent between the store price and the delivery price was justified. The representatives of both Weston's and Canadian Bakeries, however, expressed the view that they could not make deliveries if Safeway did not adhere to the fixed retail price. The result was that neither Weston's nor Canadian Bakeries delivered bread to Safeway on Thursday, September 18, 1947, when the new bread price went into effect. (Exhibit 384). This was confirmed in evidence by Mr. Balshaw, distribution division manager of Safeway, and by Mr. McCann, zone manager. (Evidence, Vancouver, pp. 5-21).

The foregoing establishes concerted action on the part of the principal bakers to maintain the established retail price and to eliminate competition on the basis of price. This was confirmed by the evidence of officials of the big bakeries. For example, Mr. Allan McGavin, Jr., admitted that "we do not compete at the moment on the basis of our retail prices" and that "we maintain our prices". (Evidence, Vancouver, p. 61):

Q. You compete in the matter of salesmanship, quality and services?
A. Yes.
Q. Rather than prices?
A. Yes.

(Evidence, Vancouver, pp. 64-65)

Mr. Armstrong, of General Bakeries, confirmed the policy of maintaining the retail price. He said:

Q. Have you had occasion to discuss with customers the retail price?

A. There has been, over a period of years, there have always been some discussions, there would be a change of store operators, and they would want a discount naturally?

Q. You make it clear to them the retail price must be what it is, 11 cents?

A. 2 for 21.

Q. Do you think you would cut them off if they sold for 10 cents?

A. I would try it.

Q. You have never had occasion to do it?

A. Not that I remember, but we have got to take a definite stand if anything like that came up, naturally if that did come up I would be willing to talk to them about it.

(Evidence, Vancouver, p. 306)

On August 23, 1943, Mr. Addems, of Weston's, had informed Mr. Conrad about an understanding with Safeway, as follows:

"In answer to your memo of August 20 we are pleased to be able to report that there is a very definite understanding with the Safeway that they must at all times sell our bread at the full 8 cent price the same as all other stores."

(Exhibit 452)

In evidence, Mr. Addems said:

Q. What does the first paragraph mean?

A. Well, it seems to me it is quite clear. I could explain a little further if you want me to. We insisted on the maintaining of our retail price.

Q. Safeways were selling your bread at less than the prevailing retail price?

A. No, they didn't buy from us, we were in touch with them or they with us, we told them finally we would sell them stuff, but if we sold them it would have to be on the understanding that they would sell at the same price as the other stores.

(Evidence, Vancouver, pp. 386-387)

On this matter, Mr. Conrad said, in evidence:

Q. THE COMMISSIONER: Did Mr. Addems have authority to cut off supplies from Safeways, if they did not maintain the price?

A. I don't think he would do it.

Q. Did any such incident arise, in connection with any retailer who didn't maintain your price?

A. There was one instance if I remember correctly. That was with Safeways. They wished to sell our bread at one cent less than the other stores sold it for. We couldn't agree to that, we were price minded, and we lost business because we couldn't agree to it.

Q. They were prepared to pay you the wholesale price and they wanted to sell it at a lower price than your other customers?

A. Yes.

Q. That being contrary to policy, you refused to sell them unless they were prepared to do as the others did?

A. Yes, that is right.

(Evidence, Winnipeg, pp. 44-45)

The policy was also confirmed in evidence by Mr. Colwell, of Canadian Bakeries, as follows:

Q. What does bread retail at in the stores in Vancouver?

A. 11 cents.

Q. What would you do if one of the retail stores should sell at 10 cents?

A. We would refuse to serve him.

Q. That would be your policy?

A. Yes. As a matter of fact I might add, that has been the policy of the company ever since I have been with them. I started with them in 1912. Shellys first and then Canadian Bakeries, since 1912. I don't know of any single day we have not maintained the retail sale of our bread.

Q. That has been the policy of the company all the way through?

A. Yes it has.

Q. You have never weakened?

A. We could have held Safeways if we had let them sell at 10 when the price was advanced, we told them we wouldn't do that and we didn't serve them.

(Evidence, Vancouver, p. 302)

3. Agreements on Tenders

As in Alberta and Saskatchewan, the bakers in British Columbia discussed and agreed upon uniform tenders for the provision of bread to the armed services.

On December 17, 1941, Mr. G. R. Law, manager of Weston's, Victoria, wrote to Mr. Conrad:

> "We have sent in the Army tender for the contract January 1 to March 31 at 5 cents. Our last contract was for 5¼ cents. You will remember we discussed this on your last visit. Mr. Land of Canadian Bakeries and myself discussed this very carefully before submitting the tender and decided that with so much cheap bread around and with Vancouver Bakers dropping their price we would be better to go to the five cent price. Our tender had to be in before I could get anything definite on what the Vancouver bakers were going to do although I had been advised that they were going to 4·90 at least. The tender, by the way, has been accepted."
>
> (Exhibit 405)

On July 2, 1943, Mr. Conrad, of Weston's, wrote to Mr. B. M. Colwell, manager of Canadian Bakeries, Vancouver:

> "The Food Administrator at Ottawa is complaining and has complained to officers of our parent organization that there is in Vancouver in effect a Combine to regulate and keep up the price of bread to the Army. Furthermore, he is sending Mr. Malkin to Vancouver to investigate the situation.
>
> I believe it would be a good idea if all the members of the Association would get together and work out their ingredient, factory, administrative and shipping container costs, etc., so that they will be in a position to have time to discuss their own costs and be able to prove when the time does come, that the price of 4·75 cents per lb. is justified.
>
> To my mind there will be no difficulty about this whatsoever. One point which I believe to be very important is that since the bakeries have enjoyed a higher volume of business by their own right, the army volume of business is baked in overtime which would have effect of increasing labor costs.
>
> In my own mind and as far as our organization is concerned, there is nothing wrong with the price quoted to the Army, considering the local conditions in effect at both Vancouver and Victoria.
>
> You are at liberty to read this letter to your Association meeting."
>
> (Exhibit 425)

In evidence, Mr. Colwell said:

> A. Yes, what happened was, the Association made arrangements with the Army, instead of individuals taking the contract it was taken by the Association, and the price the Association would supply it would be on a pro rata basis, the prices were agreed upon, 4¾ cents per pound.
>
> (Evidence, Vancouver, p. 297)

Apparently, as in Alberta, tenders for the supply of bread to the armed services were submitted through the Association in Vancouver, which determined the price. The tenders thereupon ceased to be competitive and became uniform.

IV. THE ALLEGED BREAD COMBINE: SASKATCHEWAN

Price control in the baking industry in Saskatchewan has operated, with some exceptions, on the same basis as in the industry in Alberta and British Columbia. As in these provinces, the three chain bakeries—McGavin's, Weston's and Canadian Bakeries (4X)—are the dominant factors in the industry. The bakers are organized in the Saskatchewan Bakers' Association, an unincorporated body, of which Mr. W. B. Cronk has been secretary since July, 1936.

The evidence establishes concerted action among the three Western chain bakeries in the setting and maintaining of uniform wholesale prices in different zones of Saskatchewan. It further establishes that one of the principal functions of the Saskatchewan Bakers' Association, as of the corresponding associations in Alberta and British Columbia, is to seek to maintain the uniform prices which are determined and set by the dominant bakers.

In evidence, Mr. Cronk, secretary of the Association said:

Q. Is it one of the purposes of the Association, in promoting ethical practices, to try and maintain as uniform price as possible?

A. Yes.

Q. Is that true both on the wholesale level and the retail level?

A. No, the retail level is the prerogative of the merchant one hundred per cent.

Q. Taking the wholesale level, is it in keeping with the aim of uniformity, for example that shipping prices have now been levelled off to a large degree? I refer to the meeting mentioned in February and what was discussed after that. The shipping prices you say have been levelled off?

A. Yes.

Q. That is part of the aim of the Association, a uniformity in the wholesale prices?

A. Yes, I would say yes to that.

Q. Because it is felt that is the way to operate the business?

A. Yes.

Q. And when you at times try to use any powers that you have, as appear in the letters, to clean up a situation, it is in keeping with that aim of trying to maintain uniform prices. Isn't that right? You are instructed to do that by a particular member who has a complaint to make?

A. I would say that is right.

. . .

Q. In doing that you are exercising your functions as Secretary of the Association?

A. Yes, sir!

. . .

Q. Will you say that the bakeries, I am speaking of the larger bakeries now, will you say that they compete with each other?

A. Yes.

Q. They do?

A. Yes.

Q. Would it be correct to say, that that competition is in the main, based on salesmanship rather than on the basis of prices?

A. Yes, I would say so.

Q. As far as the retail end is concerned, you have said that that is entirely a matter for the discretion of the merchant, as far as you know?

A. As far as I know, yes.

Q. It is a fact that the retail prices are pretty well generally maintained, is it not? I should say, they are uniform pretty generally?

A. There could be exceptions, but in the cities that is correct. Generally correct.

Q. Do you get clearly what I mean. From what you have said earlier I think it is correct to say that it was, and is, the policy of your Association to try and maintain a uniform wholesale price, or uniform wholesale prices?

A. Yes.

Q. You are the Secretary of the Association?

A. Yes.

Q. And as such you have to carry out the Association policy, or they wouldn't continue to employ you.

A. Yes.

Q. In keeping with that policy, did you, and do you feel it is your duty, that it is incumbent on you to keep a constant watch on the price situation, and to deal with any situation that has arisen, or do you wait until you have instructions or receive a complaint?

A. That is the only way I have of knowing what the prices are anywhere in the Province, in the country. I haven't any idea what they are, not the faintest idea.

(Evidence, Saskatoon, p. 225 et seq, and p. 257)

While individual bakeries sought to maintain a set retail price for their product, insofar as his activities were concerned, Mr. Cronk said, in evidence:

Q. Would you know of any instances, or have there been any instances where you have been asked to maintain, or rather ask the merchant to retain and maintain a certain retail price?

A. No, sir.

Q. You have never been asked to do that?

A. No, sir. Well put it this way, I have been asked that, but I have never once approached a merchant to maintain his retail price.

Q. You have been asked to do it but you have not actually done it?

A. Yes. I have never been asked by any of the larger bakeries to do that, I have been asked by the smaller bakeries. I didn't consider it a part of my duty to do that, and I have never approached a merchant to ask him to change his retail price.

(Evidence, Saskatoon, pp. 227-228)

1. Price Agreements and Arrangements

The minutes of meetings of the Saskatchewan Bakers' Association and correspondence among the larger bakeries establish a common practice of discussing and setting prices among the competitors in the industry, as in Alberta and British Columbia.

On June 17, 1938, Mr. F. E. Alloway of McGavin's, Edmonton, informed Mr. Charles Freedman, of McGavin's, Brandon, that "A meeting was held in Saskatoon last Wednesday with our Mr. Brown and Mr. King, together with our competitors, over the matter of various prices in different branch territories . . .". (Exhibit 13).

A meeting of the Association held on October 4, 1939, instructed the secretary "to write the executive officers of Weston's, McGavin's and Canadian Bakeries, in an endeavour to establish the general feeling in being able to set up a strict F.O.B. or prepaid basis for all shipping accounts". (Exhibit 546)

On July 29, 1940 Mr. Cronk wrote to Mr. R. Grant, of Weston's, Winnipeg:

"Today I have received requests from Bakeries in Moose Jaw and Regina asking that meetings be called at once to consider bread price changes to take care of the new tax on flour."

(Exhibit 544)

On August 6, 1940, Mr. Cronk again wrote to Mr. Grant, to the effect that the bakers' meeting had not yet been held because he had not had an opportunity of covering several points with the representatives of Weston's and McGavin's. The letter adds:

"We are getting together tomorrow in Moose Jaw and I feel quite sure from the talks I have had with McGavins and 4X there that a new price arrangement will be most welcome to them as well as the other things I have mentioned. I expect Mr. Johnston will be back then also.

In any case I am very much of the opinion that the changes contemplated should be made throughout the whole of the province on the same date, so even if we are a little longer than I had hoped for in getting lined up I think it will be more satisfactory in the end."

(Exhibit 545)

The minutes of the annual meeting of the Association, held on October 9, 1940, report that "country shipping prices were discussed at length. The possibility of a provincial prepaid price was discussed in detail, but no action taken." (Exhibit 547).

At a meeting of the Association held in Saskatoon on April 16, 1941, a minimum price for hamburger and weiner buns was fixed. (Exhibit 549)

The evidence further discloses that prices and trade practices affecting prices were discussed and agreements made not only at meetings of the Association but also directly among the large bakeries. For example, on July 21, 1941, Mr. J. L. Johnston, then manager of Weston's, Regina, wrote to Mr. Conrad, vice-president and managing director of Weston's, as follows:

> "I am enclosing a copy of new stunts being used by McGavin's to boost sales. In both instances they appear to me to be one way of cutting prices. We have not as yet taken the matter up with their local manager but will do so at an early date."
>
> (Exhibit 40)

On August 1, 1941, Mr. C. A. Parr, manager of Weston's, Moose Jaw, wrote Mr. Conrad about cake prices as follows:

> "I have had a meeting with Canadian Bakeries and McGavin's with a view to raising the price of some of our goods, and cutting down the weight on others, because, as you know all of our ingredients have gone up in price, but our selling price has remained the same.
>
> We have arranged another meeting at the first of next week to work out the details. Mr. Johnston has consented to come to Moose Jaw for this meeting."
>
> (Exhibit 566)

On August 14, 1941, Mr. Johnston informed Mr. Conrad that "at a meeting we had last week with McGavin's and Canadian Bakeries, it was decided to put the new cake price list into effect September 1st". (Exhibit 41).

On August 25, 1941, Mr. Parr, manager of Weston's, Moose Jaw, advised Mr. Conrad, as follows:

> "We have had several meetings with the Bakers in Moose Jaw in regards cake prices. It has been decided to raise the prices in some lines and reduce the scaling weights in others.
>
> However, the new list of weights and prices has not been completed as yet, so would appreciate it if I could receive a copy of the suggested prices in Winnipeg."
>
> (Exhibit 567)

On September 29, 1941, Mr. Parr reported to Mr. Conrad that he had increased cake prices in Moose Jaw and that "there have been a few minor differences among the bakers but these have been adjusted satisfactorily". (Exhibit 568).

In reply to questions relating to these meetings on prices, Mr. Conrad said, in evidence:

> Q. Has there been any change in the company policy from 1941 to now, governing the managers and their competitors, the relationship of your managers and their competitors?
>
> A. Not since I wrote out the policy for them.
>
> Q. When was that?
>
> A. Some time in the latter part of 1941 I think.
>
> Q. Does it say that it is within the authority of the managers to meet with representatives of McGavins and the Canadian Bakeries and discuss prices to-day, as it apparently was in 1941 when you were getting these letters?
>
> A. Yes. I can't see any reason why they shouldn't meet and discuss prices from time to time.
>
> (Evidence, Winnipeg, p. 28)

On September 24, 1943, a grocer in Swift Current who was a customer of Canadian Bakeries (4X), wrote to Weston's in Regina for the prices at which Weston's would supply bread and cake. On September 25, 1943, Mr. Johnston, manager of Weston's, Regina, forwarded this letter to Mr. Morgan, of Weston's, Moose Jaw, with the following advice:

> "I am enclosing a letter received from Briggs' Grocery Limited of Swift Current. Suggest you carefully think over the effect this might have of our relations with the 4X if we shipped into a City where they have a Plant. They were plenty sore at McGavins for supplying Safeways here who in turn shipped the bread to Swift Current to their Store. Of course in this case the matter of price was the big factor in the dispute with McGavins as Safeways were selling the bread at two cents under the going price.

You had better wait until Bill comes back for you commit yourself and if I were Bill I would contact 4X in Swift Current to get their reaction before shipping. A matter like this can upset prices in other Cities if the 4X get their back up."

(Exhibit 51)

In evidence on this correspondence, Mr. Johnston said:

Q. What is it all about?

A. Briggs' Grocery at Swift Current apparently wishes us to supply bread; as Moose Jaw is close to Swift Current, we naturally referred it to the Moose Jaw Plant.

Q. Why were you worried about 4X?

A. We wouldn't like in any instance to be a party to breaking up the price order in any city, and it appeared to us this time, that that was what was occurring.

Q. You refer to the 4X being sore at McGavin's?

A. Yes, they were supplying Safeways, who in turn were shipping into Swift Current below the price in Swift Current.

Q. You suggest to Mr. Morgan that he get in touch with 4X before anything is done?

A. Yes.

(Evidence, Edmonton, p. 238)

Early in 1946, Canadian Bakeries Limited acquired the Western Bread and Pastry Company in Regina, which apparently had sold bread below the "established prices". In order to avoid "misunderstanding amongst the members of the Association", Mr. H. E. Wright, of Canadian Bakeries, Calgary, wrote to Mr. Cronk on February 21, 1946, assuring him that the newly acquired plant would not be operated as a branch of Canadian Bakeries Limited until certain repairs and renovations which would probably take a year had been completed. He added:

"For the time being Western Bread and Pastry as far as business concerned is governed by the prices as laid down by the Wartime Prices and Trade Board. We have no intention whatever of offering 4X products for sale through this outlet at the present time and when we do offer 4X products through this outlet it will be at the regular prices as established by McGavin's and Weston's.

"You might pass this information on to the Association members so that there will be no criticism regarding the Western Bread and Pastry Company. It is not being operated by Canadian Bakeries Limited as a plant at the present time."

(Exhibit 221)

On April 18, 1946, the Association issued a "recap of all agreements now in effect and concerning all members of the Saskatchewan Bakers' Association". It contained the following items:

"4. Dated Oct. 9th, 1940. Effective immediately. All military contracts to be tendered for at 4·8 cents per pound with all express and cartage charges added."

"5. Dated April 16th, 1941. Effective immediately. All Ham and Weiner Buns be sold on the basis of, minimum of $1.00 per hundred at plant, or a minimum of $1.25 per hundred delivered either by express or the Companies own delivery."

"6. Dated April 16th, 1941. Effective immediately. That the minimum price and scaling weights of Sweet Doughs and Cake Batters shall be as follows:

1. Sweet Doughs—4 ounces for Five Cents.
2. Cake Batters—3 ounces for Five Cents."

"12. Dated November 14th, 1945. Effective immediately. All bakeries engaged in the shipping of bread to country merchants and who are not now making a deposit charge of Thirty Cents per bread carton to merchants, will raise their deposit to Thirty Cents immediately."

(Exhibit 465)

The report of the annual meeting of the Association held in Saskatoon on November 20, 1946, states that:

"The chief consideration for the members attention was a detailed discussion on price ceilings and subsidies. We are all aware of the fact that in the very near future both ceilings and subsidies will be discontinued and rather than have bakers throughout the Province acting upon their own, arrangements have been made to call an emergency meeting within hours to decide our future policy."

(Exhibit 507)

It will be noted that the policy was not to have bakers "throughout the Province acting upon their own".

The evidence establishes further price agreements in 1946. On November 22, 1946, Mr. Bradshaw, manager of Canadian Bakeries, Moose Jaw, advised Mr. Wright of Canadian Bakeries, Calgary, that neither McGavin's nor Weston's had raised the price of hot dog buns or hamburger buns in accordance with an agreement which had been made with Mr. Wright. (Exhibit 225).

Accordingly, on November 26, 1946, Mr. Wright wrote to Mr. Cronk:

"You will recall the Agreement that we entered into some months ago dividing Saskatchewan into various price zones and the notification that you sent out listing the zones. Is this still in force and is everybody living up to it?

The reason I ask is that I wrote Bradshaw some time ago after it had been agreed that McGavin's and Weston's in Regina would bring their Hamburger and Weiner Buns up to a price of $1.00 per 100 for city accounts and $1.25 per 100 for country accounts. I have just been informed that they have no intentions of doing this. It seems to me that I might have been informed before now.

It is actions such as this that make me so fed up with all Associations and leads me to believe that we would be a lot better out of it entirely. It seems we do all the giving and receive little, if any, consideration in return.

What about it?"

(Exhibit 226)

In evidence, Mr. Wright said:

Q. That letter refers to dividing Saskatchewan into price zones?

A. That is a bad term, it was shipping zones.

Q. Prices were set up by the bigger bakers, to level the price structure, set up by the bigger bakers, is that right?

A. A price structure that would work, or should.

Q. And it didn't?

A. Apparently not.

Q. Mr. Bradshaw had been complaining to you, so you were getting tired of the rest of them not living up to it, and you wrote to Cronk?

A. Yes.

(Evidence, Calgary, pp. 206-207)

Examined on the same point, Mr. Cronk said in evidence:

Q. The COMMISSIONER. You would take it from that letter would you not, that there was an agreemnet. The letter says "You will recall the Agreement that we entered into some months ago dividing Saskatchewan into various price zones". Do you know of any agreement entered into between Canadian Bakeries and McGavins, dividing Saskatchewan into various price zones?

A. No written agreement.

Q. Do you know of a verbal agreement or an understanding, I think that is the acceptable word?

A. I would say there was probably an understanding.

. . .

Q. Is it correct to say further, that you do recall there was an agreement of some kind, dividing the Province of Saskatchewan into various price zones?

A. Yes, I would say that.

Q. And the last sentence of the first paragraph, "Is this still in force and is everybody living up to it". Is that agreement still in force to-day?

A. To the best of my knowledge it was never lived up to.

Q. Would it still be in force, whether it was lived up to or not?

A. It would still be: if any of the parties concerned advised me they were not living up to the agreement, I would say that it was still in force, but no one has written to me saying "I am not abiding by that".

Q. You have not been advised that the arrangement has been repealed?

A. No, I have not.

Q. Mr. LOGAN. Who is not living up to that agreement?

A. I don't know who wouldn't be living up to it.

Q. In the various zones, are they all living up to the prevailing shipping price?

A. I would say they are.

Q. The COMMISSIONER. As far as you know?

A. Yes.

Q. As far as you know that agreement, and you were advised of it, as far as you know that is still in effect, and as far as you know it is being lived up to, that is, you have not been advised to the contrary, there may be instances where it is not but you don't know of them. Is that a correct version of that?

A. Yes.

(Evidence, Saskatoon, p. 252 et seq.)

On December 2, 1946, Mr. Wright wrote to Mr. Mitchell, manager of Canadian Bakeries, Swift Current, to the effect that he had been advised by Mr. Cronk that McGavin's had stopped shipping hot dog and hamburger buns to Safeways in Swift Current. He suggested that it might be a good idea if Mr. Mitchell were to check "so that we could find out whether or not they are living up to their agreement". (Exhibit 227).

On January 7, 1947, Mr. N. G. Elder, manager of Canadian Bakeries, North Battleford, wrote to Mr. Cronk suggesting a price of 6½c as a floor price on the Lloyminster line and a 6½c price "in the extreme north western area". He added that "if Mr. Brown of McGavin's is agreeable to these prices, you can let me know and will abide by them, and if we can get anything higher, am all for it". (Exhibit 228).

On January 9, 1947, Mr. Wright, of Canadian Bakeries, wrote to Mr. Mitchell in Swift Current:

> "Note that the opposition have made some headway in Swift Current. We have no Agreement whereby they are to stay out of Swift Current and providing that they are supplying your accounts with supplies at our wholesale price it would appear to be quite in order as far as they are concerned."
>
> (Exhibit 229)

On January 27, 1947, Mr. N. H. Browne, manager of Weston's, Regina, wrote to Mr. H. R. Dredger, manager of McGavin's, Regina, with respect to Weston's sales policy in Swift Current:

> "Lloyd Heatherington has been engaged as our Sales Representative in Swift Current. Bakery products manufactured by ourselves will be shipped to him on order and will be sold and delivered by him to the trade only in Swift Current at prices as agreed upon by ourselves within the Association."
>
> (Exhibit 485)

It is important to note Mr. Browne's assurance that the bakery products were to be sold "at prices as agreed upon by ourselves within the Association".

On January 30, 1947, Mr. Wright wrote to the managers of Canadian Bakeries suggesting to them to attend a meeting of the Saskatchewan Bakers' Association in Moose Jaw on February 4 "for the purpose of discussing the proposed increase on sweet goods"—an increase which had been authorized by the Wartime Prices and Trade Board. (Exhibit 232).

On February 6, 1947, Mr. Cronk notified all bakers in Saskatchewan that "at a meeting of this Association held in Moose Jaw February 4, 1947, the following *price changes* were unanimously approved and will become effective on Monday, February 10, 1947". The notice sets out in detail the increases for different types of sweet goods. (Exhibits 461 and 468).

On February 8, 1947, Mr. Mitchell reported to Mr. Wright that "we had quite a nice meeting and the prices will go up on February 10". (Exhibit 236). The agreement at the meeting on the prices of sweet goods was further confirmed in evidence by other witnesses.

Early in 1947, Weston's decided to establish a depot for the sale of bread in Swift Current and actually placed a truck in that city. On February 27, 1947, Mr. Wright, of Canadian Bakeries, instructed Mr. Mitchell, manager of Canadian Bakeries, Swift Current, to "keep a close watch on this Weston business. If they delivered at all off the truck, we will consider it a violation of our agreement, and I think you should inform Bruce Cronk about it". (Exhibit 240). Lengthy negotiations among the principal bakers then ensued with a view to preventing Weston's from establishing the depot.

On March 11, 1947, Mr. Mitchell advised Mr. Wright that a meeting of the principal bakers and Mr. Cronk was being arranged in Saskatoon to discuss the matter. (Exhibit 241). On March 13, Mr. Wright advised Mr. Cronk that if Weston's put a truck into Swift Current he would "certainly consider it a breach of Agreement". (Exhibit 242). On March 13, Mr. Cronk wrote to

Mr. Mitchell that Mr. Browne of Weston's had admitted that he was wrong "and is now going to comply with the terms of our agreement". (Exhibit 469). On March 28, 1947, Mr. Browne wrote to Mr. Conrad, vice-president and managing director of Weston's, stating that the members of the Association were required to give three months' notice of intention to establish depots, and that he had now given the necessary notice to Mr. Cronk. (Exhibit 502).

On April 1, 1947, Mr. Conrad instructed Mr. Browne as follows:

"I have given much thought to the situation and considering what might happen in Alberta, British Columbia and perhaps Saskatchewan too, I do not think it wise at this time to proceed with the establishing of a depot. As I said previously, when I talked to you I was not aware of the local understanding between the various bakeries. If you have not seen Libin's plant in Calgary, I can tell you it is a very large one and modern too and it is only running up to about 50 per cent capacity so that I am sure this man, who is a price-cutter and who already ships into Medicine Hat at a lower price, will not hesitate to go farther afield even to keep his competitors out. He is no doubt the most dangerous man in Western Canada today. While we do not fear him, we do not want to give him any cause to do things he should not do."

(Exhibit 503)

On April 11, 1947, Mr. Cronk reported to Mr. Mitchell that Weston's had apparently decided not to establish a depot in Swift Current as Mr. Browne had asked him if he knew where he could sell a truck. (Exhibit 472). On April 28, 1947, Mr. Wright wrote to Mr. Mitchell:

"Regarding Weston's truck, go after Cronk and see what the situation is. Make them an offer for the truck, maybe that might bring it to a head."

(Exhibit 248)

On May 22, 1947, Mr. Mitchell wrote to Mr. Wright that the matter was going to be dealt with at the top level of the industry. He said:

"Also had a phone call from Bruce Cronk from Regina this morning and he had been talking to Allen McGavin and he mentioned that Mr. Ross, Mr. Conrad and Mr. McGavin were having a meeting down in Eastern Canada. Cronk figures that Mr. Browne is just about due to get his ears slapped. So will await results before we say any more."

(Exhibit 251)

The action taken with respect to the proposed depot in Swift Current was in accord with the overall agreement on depots already discussed in the section on "Division of Territory" in the chapter on Alberta.

On March 31, 1947, Mr. W. L. Nivens, manager of Weston's, Moose Jaw, forwarded certain information to Mr. J. L. Johnston, manager, Edmonton City Baking, and said:

"Our agreement with the Association calls for a 'laid-in' price, and therefore, I should like to know, Jim, at what price you are selling your bread and whether it is f.o.b. Edmonton, or f.o.b. the town to which you ship."

(Exhibit 61)

In evidence, Mr. Johnson said:

Q. Looking at the paragraph beginning "our agreement with the Association"?
A. Yes.
Q. At the time you were in Regina, was there an agreement in the Association, as to shipping prices?
A. There was an agreement, yes.

(Evidence, Edmonton, p. 254)

On April 25, 1947, a customer in Lancer, Saskatchewan, advised Mr. Mitchell, manager of Canadian Bakeries, Swift Current, that opposition merchants were retailing their bread at 9 cents per loaf, and asked whether he would be allowed to sell bread at the same price with no loss in profits. (Exhibit 473). Mr. Mitchell replied:

"I have checked this matter of the price in your town and find out that the Home Cafe were instrumental in cutting the price, so I have contacted McGavin's in Regina and will see what their answer is.

However, if I don't hear from them there will be quick action on my part to stop this."

(Exhibit 474)

On May 22, 1947, Mr. H. R. Dredger, manager of McGavin's, Regina, wrote to Mr. Mitchell, manager of Canadian Bakeries, Swift Current, as follows:

"Bruce has brought to my attention the fact that we are supplying bread to the King George Cafe at Gull Lake at a price of seven cents prepaid.

It may sound ridiculous, Dune, however, I haven't any answer as to why that price should exist and it is definitely wrong. In checking our files, the only information I can get is that this account was picked up by Hek King in 1945, early winter, and that this account has been shipped at this price ever since.

I personally feel that this price is an office error in the wrong entry in the Ledger as to price, however, we are going to wait until Hek gets back to Regina to ascertain whether or not he has any story in connection with it. Whatever the cause you may rest assured that the price will be brought up to 8 cents prepaid. The only reason for delaying the matter being that if there is some reason for it without my knowing anything of it, it might be in our interests to have Hek go to Gull Lake personally rather than doing it by mail. However you may be sure that the matter will be dealt with to your entire satisfaction and also to the satisfaction of the other accounts in Gull Lake."

(Exhibit 477)

In evidence, Mr. Mitchell said:

Q. He says that "Bruce has brought to my attention". Who is Bruce?
A. Who is Bruce?
Q. Yes, that is Cronk, is it?
A. Yes.
Q. Evidently McGavin's were selling at 7 cents instead of 8?
A. Yes. These people were getting a 7 cent price.
Q. THE COMMISSIONER. You took the matter up because you understood, and it was understood the bread price should be 8 cents?
A. My bread was 8 cents, I wanted to see what Mr. Wright would do about it.
Q. I don't see anything about Mr. Wright, the matter was discussed with McGavin's and Mr. Cronk?
A. Yes.
Q. There was an understanding that the price would be 8 cents?
A. Not an understanding, there was a general rule that the price was 8 cents laid in at the town.
Q. That general rule was established by the bakeries?
A. It could have been.
Q. Well, who else could it have been established by?
A. That is about all it could be.

(Evidence, Regina, pp. 36-37)

In May, 1947, a retailer in Moose Jaw sought to obtain a reduction in the price of bread. On May 22, 1947, Mr. H. R. Dredger, manager of McGavin's, Regina, wrote to McGavin's sales representative in Moose Jaw as follows:

"Bruce has been in Moose Jaw and has contacted the Super Market and both Mr. Nivens and Mr. Bradshaw of Weston's and Canadian Bakeries respectively, and as they discussed the price situation on bread as it affects the Super Market.

Both Mr. Nivens and Mr. Bradshaw have emphatically declared themselves of being in disfavour of making any concession to the Super Market, and as I stated to you on the telephone, their decision would be our decision. We will therefore consider the matter closed as far as any further discussion is concerned, and our price will continue to be 7c even though the three companies stand to lose, no bread will be sold to this account."

(Exhibit 487)

This incident is another example of concerted action in the matter of wholesale prices among the three chain bakeries.

On June 2, 1947, Mr. H. E. Wright, of Canadian Bakeries, sent a letter to four of his managers in Saskatchewan suggesting to them that they attend a bakers' meeting to be held in Saskatoon on June 4 to discuss the approval obtained from the Wartime Prices and Trade Board to increase wholesale shipping prices to 6½ cents on those accounts selling below that price. He added:

"I told Bruce Cronk that we would be willing to work with McGavin's on an area basis and where it would be possible to increase the price to 6½ cents that we would do so."

(Exhibit 254)

The minutes of the meeting held on June 4, 1947, also include the following item:

"No Bakery shall supply bread or bakery products to any person for the purpose of redistribution to merchants except at the prevailing wholesale price at the point where the distributor has his place of business."

(Exhibit 560)

Notwithstanding the approval of the Wartime Prices and Trade Board to increase shipping prices to 6½ cents, the bakers could not agree on giving effect to this increase owing to the competition of the Modern Bread Company in Prince Albert, operated by a Mr. Peters, commonly described by the bakers as "the Greek". Further reference to this bakery will be found in section 4 of this chapter.

A letter of July 4, 1947, from Mr. R. Bradshaw, manager of Canadian Bakeries, Moose Jaw, to Mr. Cronk, referring to a complaint about prices charged to a merchant in Melaval, Saskatchewan, mentions an agreement on shipping prices:

"Our price to this account is and always has been 7c F.O.B. Melaval. We were supplying this account before the agreement between Mr. Wright Mr. Brown of Western's [Weston's], Mr. Brown of McGavins and yourself went into effect.

I will not agree to raise any of my accounts until both my opposition bring all prices up and in line with the agreement."

(Exhibit 259)

In evidence, Mr. H. E. Wright, of Canadian Bakeries, said:

Q. I show you a letter of July 4, 1947, from Mr. Bradshaw to Mr. Cronk, apparently you received a copy?

A. Yes, I remember this.

Q. It refers to an agreement between yourself, Mr. Brown of McGavins and Mr. Cronk?

A. Well this again is a reference to a meeting he speaks of before I think. At this time we discussed the stabilization of prices in Southern Saskatchewan and the elimination of collect prices, putting everything on a prepaid basis.

Q. What was the prepaid basis to be?

A. I don't remember right off-hand, it runs through my mind the prepaid basis was 8 cents laid in, all charges paid to the customer.

(Evidence, Calgary, pp. 228-229)

On July 8, 1947, Mr. D. Mitchell, manager of Canadian Bakeries, Swift Current, advised a merchant on the price of certain bakery products as follows:

"Received your letter with regard to the price of hot dog and hamburger buns. Our price to you is 16c a dozen for each. You re-sell them at 20c per dozen."

(Exhibit 484)

It will be noted that Mr. Mitchell advised not only on the wholesale price but also instructed as to the retail price.

On July 28, 1947, Mr. J. E. Knipfel, manager, Canadian Bakeries, Yorkton, reported to Mr. Wright:

"Am having a get together with the Local Bakers today on the increase in Flour and will keep you posted as soon as we get something lined up. Think personally that this is the chance to get all these prices on a more stabilized basis for the whole province. Our recommendations in this respect have already gone forward to Cronk and we have had no action. It is pretty tough to know what to do as we are just guessing what the other cities and towns are going to do. Will keep you posted."

(Exhibit 264)

The close co-operation of the principal bakers in fixing and maintaining prices is further shown by a letter of July 30, 1947, from Mr. B. E. Wilford, manager of McGavin's, Saskatoon, to the manager of Canadian Bakeries, Prince Albert, which reads as follows:

"No doubt you will be somewhat surprised to learn that we, after due consideration, have accepted an account in Prince Albert.

We have accepted this business only on the basis of your local price structure which is, I believe, seven cents delivered. If by any chance the foregoing price should conflict in any way with your local price structure please do not hesitate to advise us and you may be assured that the necessary adjustment will be made immediately.

We will appreciate if you will acknowledge receipt of this letter by return, confirming your local price of seven cents delivered."

(Exhibit 521)

On August 18, 1947, Mr. Cronk sent a notice to all bakers in Saskatchewan announcing "a very important meeting" on August 28, to discuss the prospective removal of price ceilings on bread. The notice read, in part, as follows:

"At the moment it would appear that the necessary raise in the price of bread will be quite high and this is a question that every baker in the Province will be vitally interested in.

In addition to arriving at a new price structure, there are three or four other items that will have to be given very careful consideration, namely; if the slicing of bread is resumed will there be a differential in the price of sliced and unsliced bread. Then there is the question of price on raisin and other fancy breads. Some bakers are very much of the opinion that raisin bread should demand a higher price than ordinary bread. The question of discounts to merchants will also have to be discussed, as any drastic change in the price of bread will adversely affect the percentage markup that they have been accustomed to."

(Exhibit 523)

On the evening of September 14 the Government announced the removal of the subsidy on flour and of the ceiling on bread prices. As in Alberta and British Columbia, the bakers in Saskatchewan held meetings to discuss changes in the price of bread consequent upon the removal of the subsidy. These meetings were held shortly before and immediately after the announcement of the Government's policy. On September 15 Mr. Cronk sent a notice to all bakers in Saskatchewan that "Saskatchewan bakers are increasing prices 3c per loaf as of September 18, 1947" (Exhibit 478). In Saskatoon the principal bakers increased their prices by 3c on September 16, 1947, while in the rest of the province a uniform increase of 3c went into effect on September 18, 1947. All discounts and rebates were eliminated.

The fact that the meetings were held and that costs and prices were discussed was admitted in evidence by various witnesses. Mr. N. H. Browne, manager of Weston's, Regina, said in evidence:

Q. If you cut prices the others would have to meet you, and it would do harm to the industry, so you meet your competitors and frankly discuss the problem of costs and prices. Is that a fair way of putting it?

A. Yes.

. . .

Q. You are not interested in competition on the basis of prices?

A. No.

Q. You are more interested in the basis of salesmanship?

A. Yes.

Q. That is actually what the competition is in this area?

A. That is right.

Q. On the basis of salesmanship?

A. Yes.

(Evidence, Regina, p. 106)

On September 16, 1947, Mr. J. E. Knipfel, manager of Canadian Bakeries, Yorkton, informed Mr. H. E. Wright of Canadian Bakeries, Calgary, that the increase of 3c per loaf would be put into effect on Thursday, September 18. He added:

"We have had a number of stores selling one cent under the prevailing price. Safeways here were the big offender, we have been working on this and I believe that we can get this lined up today and have everybody on the same basis. The local stores are contemplating selling at 2 for 25c, however this is not definite as yet. Will let you know as soon as it is."

(Exhibit 273)

In his evidence on the maintenance of retail prices, Mr. Knipfel said:

Q. THE COMMISSIONER. In the last paragraph you refer to the Safeway Store, and your attempt to get them to line up. That would be part of the instructions from Mr. Wright, I assume, he would have liked you to do that. He would like the uniform retail price maintained?

A. Yes, that has been our company's policy, to maintain a uniform price. I don't recollect this about the Safeways store. At different times they have brought that to our attention, that we should try and maintain a uniform price.

Q. A uniform price at the retail level?

A. Yes.

Q. Were you ever instructed to take any action against any retailer who did not adhere to the prices at which you wanted him to sell?

A. No, none whatsoever.

Q. Did you ever threaten Safeways?

A. No.

Q. Or any retailer?

A. No.

Q. Did you ever threaten to cut off the supplies from any retailer?

A. No, sir, never.

(Evidence, Saskatoon, p. 55)

On September 17, 1947, Mr. Knipfel reported on retail prices to Mr. R. W. Ward, president of Canadian Bakeries, as follows:

"Have been fortunate enough to line the city accounts up to sell all on the same basis. They are going up to 13 cents or 2 for 25 cents. We had a number that were underselling one cent, however these are all in line now and we hope that they will continue."

(Exhibit 311)

On September 16, 1947, Mr. Mitchell, manager of Canadian Bakeries, Swift Current, reported to Mr. Ward as follows:

"With regards to increase on price we have a meeting in Regina this afternoon with regards to same and I expect the increase to go into effect Thursday of this week, but will let you know definitely on that later."

(Exhibit 310)

The bakers' meeting in Regina prior to the price increase was marked by an attempt to force Canadian Bakeries to raise their price in Swift Current by 4 cents instead of 3 cents. Canadian Bakeries operates its own plant in that city and sells at 1 cent less than Weston's and McGavin's, who ship into Swift Current and therefore sell at the established shipping price. On September 20, 1947, Mr. Mitchell, manager of Canadian Bakeries, Swift Current, reported on this matter to Mr. H. E. Wright, as follows:

"I guess by this time you will have received word about our meeting in Regina. I had quite a session with Browne of Weston's and Dredger of McGavins; but eventually we got it settled, they wanted me to increase my bread to the stores by 4 cents, but I couldn't see that so our price to stores is 10 cents, and their price is 11 cents, but my price to cafes is 11 cents the same as theirs and all my shipping prices are 11 cents laid in and if picked up 10 cents, making out my budget for the year so will send it to you Sunday."

(Exhibit 274)

Mr. Mitchell sent a similar report to Mr. R. W. Ward on the same day. (Exhibit 313).

The effect of the increase in bread prices on September 18, 1947, was to raise the wholesale price of the first grade loaf of the principal bakers in Regina uniformly by 3 cents to 11 cents in the city and 11 cents prepaid to country points, while the retail price was increased to 12 cents in the city. It was stated in evidence that the retail price in the city was generally uniform at 12 cents, but varied somewhat at country points.

In Moose Jaw the wholesale price rose uniformly by 3 cents to 10 cents per loaf and the retail price generally to 12 cents, but a number of stores, particularly departmental and chain stores, retailed the bread at 11 cents. It appears that no attempt is made to enforce the prevailing retail price of 12 cents.

In Swift Current the bakers also increased prices uniformly by 3 cents. McGavin's and Weston's price was increased to 11 cents wholesale and Canadian Bakeries to 10 cents wholesale. The three bakeries increased the shipping price to 11 cents laid in.

In Saskatoon prices were also increased uniformly by 3 cents. McGavin's first grade bread was increased to 11 cents wholesale and 12 cents retail, the second grade being 1 cent less in each case. Canadian Bakeries has only one grade which sells at 10 cents wholesale and 11 cents retail, off wagons and out of stores. Shipping prices of both bakeries are uniform at 10 cents per loaf prepaid. The uniformity of price out of the store and off the wagon, and of the city wholesale price and the country shipping price should be noted.

In Yorkton prices were increased by 3 cents to 10½ cents wholesale, and 13 cents or 2 for 25 cents retail. The country shipping price was increased to 10 cents prepaid. In evidence, Mr. Knipfel, manager of Canadian Bakeries, Yorkton, attributed the lower country shipping price to the more severe competition at country points offered by bakers in Saskatoon and Prince Albert.

An analysis of the price structure in Saskatchewan shows that while, with some exceptions, prices were generally uniform within certain zones or areas, there were variations as between areas owing to competition. Such competition was particularly effective in northern Saskatchewan. As early as March 31, 1945, Mr. J. L. Johnston, manager of Weston's, Regina, commented on this situation in a letter to H. S. Conrad as follows:

> "The price structure as a whole is solid in the province, however, there is a wide variance in prices in different localities as against others. For example, the shipping price of bread in the southern half of the Province is 7 cents F.O.B. Bakery, in the central section centering around Saskatoon is 6 cents F.O.B. Bakery, while in the north, due to stupid competition, there is no stabilized price with prices ranging as low as 5 cents laid in at the shipping point."
>
> (Exhibit 55)

Following the increase in prices in September, 1947, the bakers continued their policy of concerted action on prices. On October 1, 1947, Mr. R. Bradshaw, manager of Canadian Bakeries, Moose Jaw, wrote to Mr. H. E. Wright, as follows:

> "Note your remarks about the price of Dough Nuts.
>
> Both McGavins and Westerns [Weston's] are retailing them at 6 for 15 cents as against our 5 for 15 cents.
>
> McGavins have promised to bring theirs in line with us, when they get a new supply of Ctns. Westerns [Weston's] would not commit themselves. This was taken up at the meeting in Regina.
>
> We are using a formula of our own bag for bag. We have 4,000 lbs. of Doughnut flour on hand, and by using own own mix can make this spread out for 6 months.
>
> Enclosed find our formula. Dredger of McGavins wanted to know what we were using as he claims that we are selling twice the quantity that they are, at a higher price."
>
> (Exhibit 277)

On November 4, 1947, Mr. Cronk wrote to Mr. D. Mitchell, manager of Canadian Bakeries, Swift Current:

> "I have received a letter from McGavins, Regina, this morning saying that you are still selling bread to accounts in Ponteix, Vanguard and other places at 10 cents per loaf f.o.b. bakery and permitting the trucks that make the pickup to collect their own charges.
>
> I believe you will recall Dunc, that all bread was to be charged out at 11 cents and in cases where it was being delivered by truck the bakery would pay the charges.
>
> If you have any other understanding I would appreciate it a great deal if you would let me know. To the best of my knowledge all the shipping accounts of McGavins, Weston's and yourselves out of Regina and Moose Jaw are strictly on the 11 cent prepaid basis."
>
> (Exhibit 479)

On November 25, 1947, Mr. H. E. Wright commented in a letter to Mr. Cronk that the practice pursued by Mr. Mitchell was equivalent to charging

"the agreed shipping price of 11 cents", because Mr. Mitchell's price was 10 cents f.o.b. Swift Current, and the customer paid 1 cent per loaf to the trucking company for delivery (Exhibit 284).

On December 11, 1947, Mr. H. E. Wright wrote to Mr. Mitchell in Swift Current, as follows:

"I had a meeting in Regina the other day with McGavins and Westons. Apparently we came to an agreement some time ago that all shipping prices would be 11 cents FOB the plant. They are complaining that we are not living up to our agreement, in the case of Ponteix and Vanguard. I explained that our customer at Ponteix had an arrangement with a truck service and was able to get reduced rates. However, they feel that it is the thin edge of the wedge towards the general deterioration and grief of price cutting in the country. I am rather inclined to agree with them because I know very well if we were placed in a similar position by them, that we would feel that we had a legitimate complaint.

For these customers that pick up bread at the plant, would it not be possible to charge them the 11 cent shipping price and just give them a credit of 1 cent for express charges or hauling charges? They are doing that in Regina and it is working out quite satisfactory. I feel that we should do this and I will leave the details of it up to you. Let's start it immediately.

Reference to Westons shipping into Swift Current, Browne naturally denied that he had made any offer to the manager of Coopers. However, I don't think that there is any doubt but what he did do so. He was complaining of course that he was shipping into Swift Current at a higher price than our wholesale price. I told him that as far as we were concerned, that there was no necessity for him to do this; that in accordance with the agreement that we had with McGavins, that has been in effect for a good many years, he was quite within his rights to ship his bread and sell it locally at whatever our wholesale price happened to be regardless of whether it was in Swift Current, Yorkton or North Battleford. He is rather loathe to lower his price at the present time so I don't know just what he will do. However, I made it quite clear that if he gave Coopers anything in the way of a rebate or allowance, that we would consider it a breach of trust and breaking of the agreement so we will just have to mark time and see what happens.

Everybody that was at the meeting stated that you had made a statement to the effect that if they gave you three months, you would adjust prices in Swift Current up to the prevailing price in Regina and Moose Jaw. Did you make any such statement or was there any discussion about it where they could take any other meaning from any statement that you may have made. As I stated, everybody had a very clear idea that you had made some such statement.

What is the situation now on shipping prices out of Maple Creek? I understand that Maple Creek Bakery raised their prices recently to the prevailing 11 cent price."

(Exhibit 286)

On December 15, 1947, Mr. Wright informed Mr. Cronk that all of Mr. Mitchell's shipping accounts would henceforth be on a prepaid basis (Exhibit 293). On the same day he wrote to Mr. Mitchell as follows:

"Reference to the shipping accounts Dune, re your letter of December 13, the only difference that it makes is that we are living up to the agreement that we arrived at. We did agree that all orders will leave our plant on a prepaid basis. We gave our word on this and therefore we are going to live up to it."

(Exhibit 294)

On December 3, 1947, Mr. D. A. Ross, assistant general manager of Canadian Bakeries, Vancouver, wrote to Mr. Wright in Calgary as follows:

"I feel that Allan McGavin is being quite sincere; I have yet to find him anything else. They are just as anxious as we all are to hold prices, I believe.

Think Cronk is rather foolish in sending out the letter to Conrad, McGavin and myself, as apparently there hadn't been any bad violation of any agreements.

Was sorry to know that Westons have gone into Coopers and I don't like this 1 cent a loaf business at all. It's a broken price as far as I can see."

(Exhibit 285)

On December 11, 1947, Mr. Wright reported to Mr. Ross as follows:

"I believe that in the State of Washington they have a baker's agreement or code that places some limits on the pan sizes. I wonder if you can obtain a copy of either their whole code or that portion of it that deals with pan sizes.

We are interested in doing something about it particularly in Saskatchewan as there is some tendency on the part of the small bakeries to start increasing the pan size. This, of course, will only lead to trouble unless we can keep it under control.

Had a meeting with Bernie Brown and Westons when I was in Regina. It has been decided not to do anything about prices at the present time. The pressure has eased up a little bit and nobody appeared to be very desirous of making any changes with the exception of Weston. Both McGavins and Westons are manufacturing top quality bread-wrapped and second quality wrapped as well as unwrapped bread. There are no restrictions placed on whether we turn out the second quality or not. At the present time I do not recommend it. Everybody felt that if we eliminated the second quality and the unwrapped we would only be turning over volume to some of the other bakeries, and it was felt that for the time being at least, we should retain our lower priced bread in order to exercise some control over the smaller bakeries who may be inclined to go off the deep end and cut prices."

(Exhibit 287)

In evidence, on the necessity "to exercise some control over the smaller bakeries", Mr. Wright said:

Q. THE COMMISSIONER. Referring to your letter to Mr. Ross, Exhibit 287. You end that by saying "for the time being at least, we should retain our lower priced bread in order to exercise some control over the smaller bakeries who may be inclined to go off the deep end and cut prices". You would exercise control if you continued to produce the lower price bread?

A. Well in that particular case it refers to some unwrapped bread manufactured and sold out of the plant and we were discussing what would happen if we were to eliminate that entirely. We felt that if it was allowed to go out entirely there would be a tendency to a general decrease right across the board.

(Evidence, Calgary, p. 246)

2. Agreements on Tenders

As in Alberta and British Columbia, tenders on military contracts in Saskatchewan were discussed and agreed upon at meetings of the Association. At the annual meeting held on October 9, 1940, it was moved and seconded that "all military contracts be tendered for at 4·8c per lb." (Exhibit 547).

A meeting of the Association held in Saskatoon on April 16, 1941, again discussed military contracts and agreed that tenders be on the basis of 4·8c per lb. for unwrapped bread and 5c per lb. for wrapped bread. (Exhibit 549).

The Dominion Government was apparently not satisfied with the prices charged for bread for the armed services. Mr. Conrad, of Weston's therefore wrote to Mr. Cronk on July 2, 1943:

"The Director of Food Products in Ottawa is very concerned about what they term the high cost of bread per lb. supplied to the Army. They are presently making an investigation of the records of the various baking companies supplying such products with a view of determining the extent of profiteering which is going on.

The Food Products section has recently compiled figures showing the cost of bread per lb. from Halifax to Victoria. They claim that in the Saskatchewan and Calgary areas the price is far too high and further that the larger bakeries meaning those of the Association are banding together in what might be regarded a Combine to keep the price of bread high. The Government claims that no more than 5 per cent profit should be made on Army Contracts.

Some of the officials at Ottawa have been in touch with the officials of our parent organization and have passed some of their complaints along to me. These I am placing before you in a confidential way but I would at the same time like you to read this letter to your Association members.

Because the Government feels that the price of bread in Saskatchewan and Calgary areas is too high there is no reason why when we are re-tendering on a new contract the price should be lower. I believe that if we lowered the price it would be an admission that our price in the first place was too high.

I do believe however that the bakers should get together immediately and find out what their costs of ingredients, baking expense, administrative, shipping containers, etc., actually are and try to get somewhere near together, taking into consideration the variance in costs in different plants.

I believe one point which should be discussed in that the Army business is an addition to our regular business and those plants which have considerable overtime should be regarded as supplying the Army bread in overtime thereby increasing labour costs.

I can assure you that the Government is going to investigate as quickly as possible so that the sole purpose of this letter is to bring these facts before your members in confidence."

(Exhibit 551)

On July 6, 1943, Mr. Cronk replied to Mr. Conrad, as follows:

"Please accept my thanks for your letter of July 2.

You may feel assured that this matter will be brought to the attention of the interested parties at once.

The members in Saskatoon, North Battleford and Prince Albert have already been contacted by me and are in complete accord with your feelings as contained in paragraph four of your letter.

I am going to Regina and Moose Jaw on Thursday, July 8, at which time I will get the bakers together there.

May I again repeat that we do greatly appreciate your letter and that all the necessary steps will be taken."

(Exhibit 552)

Concerted action among the bakers in tendering on military contracts is further shown by the following letter of December 10, 1943, from Mr. Cronk to Mr. J. L. Johnston, then manager of Weston's, Regina:

"I have just received word today that the trucking service to Dafoe Flying school will be discontinued on January 1. The additional cost to have bread delivered to the camp from Dafoe will be 20c per 100 pounds.

The firms tendering from Saskatoon are adding this amount to their tenders and they have asked me to advise you of their action."

(Exhibit 52)

3. Interprovincial Shipping Agreement

The problem of and agreements on interprovincial shipping between Alberta and Saskatchewan, already set out in the chapter on Alberta, are confirmed by evidence on the activities of the Association in Saskatchewan. On February 16, 1944, a meeting of the Association instructed the secretary "to reopen the subject of interprovincial shipping, particularly as it affects the north western section of Saskatchewan due to the inroads made by the Edmonton City Bakery". (Exhibit 553).

On February 23, 1946, Mr. Cronk called a meeting of the Executive Committee of the Association and of other members "who at the moment are very much concerned over the interprovincial shipping situation . . .". (Exhibit 512). The meeting was held on March 6, 1946, and the minutes report as follows:

"The question of interprovincial shipping was discussed at length and Mr. J. L. Johnston, Manager, The Edmonton City Baking Co. Ltd., was present and agreed that their present lines in this Province would not be extended and also that no bread would be shipped in at less than seven cents a loaf, express prepaid."

(Exhibit 531)

In evidence on the interprovincial shipping problem, Mr. A. McDougall, manager of Canadian Bakeries, Saskatoon, at that time president of the Association, said:

Q. What was the trouble that time?

A. As I remember it, it was Alberta shipping coming over the border, on the Saskatchewan line.

Q. Who was the big offender?

A. I think it was the E.C.B.

Q. THE COMMISSIONER. Why did you raise that issue?

A. Well, as I recall it, I felt no doubt it was affecting our shipping in our territory, if they were coming to Saskatchewan they were not justified in doing that, coming over the border.

Q. Was there some understanding restricting interprovincial shipments that time, regulating them?

A. It seems to me there was a border, that cut off pretty much as close as we could get it to on the line, it was hard to make a direct cut off.

Q. There was some understanding restricting the shipments of bread from Saskatchewan to Alberta and vice versa. There was a mutual understanding, was there?

A. Yes, a mutual understanding.

Q. And that would apply to the Canadian Bakeries, Weston's and McGavin's?

A. It was pretty general, yes.

Q. Mr. LOGAN. You presided at a meeting held March the 6th, 1946?

A. Yes.

.....

Q. Mr. Johnston of the E.C.B. agreed not to go any further into Saskatchewan than he already was?

A. Yes.

Q. And it was also agreed, Mr. Johnston agreed to maintain the 7 cent per loaf price prepaid?

A. Yes.

(Evidence, Saskatoon, pp. 101-102)

Further to the agreement governing shipments from Edmonton Mr. C. A. Blair, manager of Canadian Bakeries, Edmonton, wrote to Mr. McDougall, manager of Canadian Bakeries, Saskatoon, on May 17, 1947, as follows:

"Charlie Simmonds, secretary of our bakers' association here in Edmonton, has just phoned me and mentioned that one of the Edmonton Bakeries has laid a complaint against your country salesman. He has, evidently, gone into the town of Compeer and sold bread below our agreed laid-in price on that particular line of 8 cents.

As you no doubt recall, Alex, we agreed to make the cut-off of our territories at the Saskatchewan-Alberta boundary. We have, however, no objection to your serving an account just over the boundary providing the laid-in price is the same as our own.

We would appreciate your checking into this matter and advising me of the findings at your earliest convenience."

(Exhibit 26)

In evidence, Mr. McDougall explained that he had quoted bread at 7 cents instead of the agreed laid in price of 8 cents. He said:

Q. The COMMISSIONER. The agreement was, if you were to ship into Alberta the laid in price would be 8 cents?

A. Yes.

.....

Q. That agreed laid in price of 8 cents, insofar as shipments were concerned, that was agreed to by the principal bakeries?

A. Yes.

Q. They were all governed by it?

A. Yes.

(Evidence, Saskatoon, pp. 107-108)

4. Lessening Competition by Merger

Modern Bread in Prince Albert, operated by Mr. Peters (referred to in the correspondence below as "the Greek"), was responsible for competition which kept bread prices in northern Saskatchewan below the prices in the southern parts of the province. This was a matter of great concern to the principal bakers and, more particularly, to McGavin's and Canadian Bakeries. It appeared that as long as Modern Bread continued to operate, the principal bakers could not enforce a uniform price in northern Saskatchewan.

In reporting on this situation and on declining sales in North Battleford, to Mr. R. W. Ward, president and general manager of Canadian Bakeries, Mr. Wright, of Canadian Bakeries, Calgary, wrote on June 19, 1947:

"The second reason and one that is liable to be much more serious, is the Greek in Prince Albert. As you are aware, his plant now has been equipped with modern automatic machinery and ovens. He is in a position to produce a large bread volume at a very low cost as far as labour is concerned. He is turning out an excellent loaf of bread and has two salesmen and his son in the country soliciting business. He is endeavouring to build up a volume that will keep his plant busy.

Prices are being brought down as low as 4 cents and there is no doubt in the world that he is taking a lot of the volume away from ourselves and McGavin's. The truck route now running between North Battleford and Prince Albert, originally only went part way to Prince Albert and we had a virtual monopoly on shipping along this line. However, now this truck makes the complete trip to Prince Albert. Last Monday evening in Prince Albert I was talking to the truck driver. He informs me that he very often leaves Prince Albert with so much bread on his truck that he is unable to take any other freight. The bread all comes from the Greek.

The situation is going to deteriorate and we are either faced with meeting his prices, which is only going to prolong the agony and will not get us any additional volume, or we can in conjunction with McGavin's, deliberately go on a campaign of price cutting where ever he is located and endeavour to bring him to time through the medium of his pocket book. I honestly believe that it is a more sound policy to buy him out and operate as an independent bakery.

We might be able to do this in connection with the Maple Leaf and Ogilvie or between McGavin's and ourselves. We also might buy him through co-operation with the Maple Leaf and ourselves. When you stop to consider that the Greek now has the key to dominate the whole of the north country and will likely be the governing factor as far as prices are concerned, for all plants in northern Saskatchewan, it would appear to be good economy to eliminate him by one means or another.

We have permission now from the War Time Prices and Trade Board to increase all shipping prices in northern Saskatchewan to the level of 6½ cents. We had a meeting in Saskatchewan last week that was attended by representatives from McGavin's and ourselves and a considerable number from independent bakeries in the smaller towns. They will not move unless the Greek moves. All of them are willing to co-operate in any other means.

What are we going to do about it, drift along or take some active part in correcting the situation."

(Exhibit 257)

On the same date (June 19, 1947), Mr. D. A. Ross, assistant general manager of Canadian Bakeries, wrote to Mr. Ward along similar lines:

"Allan McGavin phoned me yesterday. As you know, the Wartime Prices and Trade Board have O.K.'d an increased price in Northern Saskatchewan, and we are working on the Modern Bakery in Prince Albert, hoping to get it arranged.

McGavin's idea was that the two of us should get together and buy out Modern. I intimated to him that the last time we had turned it down and they too had backed away from it.

There is some merit in the thought of eliminating this fellow; it would help our price structure in that area.

Do you think it would be worthwhile sounding out the boys in Toronto on it?"

(Exhibit 307)

On August 22, 1947, Mr. Wright wrote to the managers of Canadian Bakeries in North Battleford, Prince Albert, Yorkton and Saskatoon, with reference to Modern Bread in Prince Albert, as follows:

"How much of your present shipping business has been affected by the Modern Bakery at Prince Albert? If the Modern Bakery were out of the picture, would there be any other difficulties in the way of obtaining a price increase at the present time?

As you no doubt are aware, we have permission now from the government to increase our shipping prices to 6½ cents where we have anything below that figure. I am anxious to obtain figures now, so that I can make out a complete report as to how the Greek is affecting our shipping business in northern Saskatchewan.

I would appreciate a reply from you as soon as possible, at any rate, *before* the end of the month."

(Exhibit 268)

In reply, on August 23, 1947, Mr. A. McDougall, manager of Canadian Bakeries, Saskatoon, said:

"I believe if the Greek were out of the picture, we would be in the clear. He is the only stumbling block in regard to any price increase, although McGavins have some odd prices too, in this area, of which you are aware of, but they would come in line I am sure."

(Exhibit 269)

On September 8, 1947, Mr. Wright forwarded a full report on the effects of the competition of Modern Bread to Mr. Ward, president and general manager of Canadian Bakeries. The following are extracts from his letter:

"Peters was in Saskatoon for the last bakers' meeting and flatly refused to co-operate or to come to any agreement with the other bakery operators and is definitely committed to his present policy of low prices with the intention of building volume. He has a very well equipped plant and is producing an excellent loaf of bread.

Our business in the city of Prince Albert has suffered and he has only started on his efforts to regain the volume that he lost in the city some time ago. In the country he has taken a tremendous amount of volume away from North Battleford and Prince Albert and also to a smaller extent, has affected Yorkton and Saskatoon. The following will give you a fairly accurate cross section: . . .

Our present loss of flour consumption at the present time amounts to well over two car loads of flour per month and this will increase. The following courses are open to us:

1. *Buy out the Modern Bakery*

This would mean that McGavins and ourselves could over a period of time, entirely eliminate all cut prices and place the whole of Northern Saskatchewan on a uniform price level. We could immediately take advantage of the W.P.T.B. authorization to increase our shipping price to 6½c. This would mean a minimum of $1,600 per month additional revenue to Prince Albert based on present volume plus another considerable sum if we could level out cut prices in North Battleford and Yorkton and Saskatoon.

2. *Bread War Directed Against the Modern Bakery*

This might bring the Greek into line, but it would be an extremely costly affair in that it would take at least a year to make him realize that he had to co-operate and would cost us a minimum of $5,000 per month in Prince Albert.

3. *Meet the Modern Prices*

All this would do is to avoid further loss due to cut prices. It would solve nothing as there would be no advantage whatever for the storekeeper to change over his account to us.

4. *Stay by our Present Policy*

This is the least desirable of any of them and if we continue with our present policy we might just as well admit that in the long run we are going to relinquish our position in Northern Saskatchewan and take a secondary position to the Greek.

Future volume will undoubtedly drop to a point where it will be no longer economically feasible to continue operating the Prince Albert plant on the present scale. In any event there will be absolutely no possibility of bringing the Prince Albert plant out of the red ink."

(Exhibit 271)

The removal of the flour subsidy did not lessen the competition in northern Saskatchewan offered by the Modern Bread Company in Prince Albert. McGavin's thereupon began negotiations for the purchase of the plant. On October 22, 1947, Mr. Allan McGavin, Jr., advised Mr. E. B. Frost and Mr. H. Norman Davis, vice-presidents of Ogilvie Flour Mills Co. Ltd., that he had made an offer of $100,000 to purchase the Modern Bread business. In his letter to Mr. Frost, he said:

"If we can get this business for $100,000 we will not be too badly off—with the increase that we would get from that and the increase that we would be able to get in Saskatoon's selling price we would have a very nice thing.

We do not know what the outcome will be, but undoubtedly it could not be any worse than it is now so far as the Saskatoon situation is concerned, and we will be able to right that, at least, before negotiations end, even though we do not eventually acquire his business."

(Exhibit 392)

In his letter to Mr. Davis, he said:

"If he turns around and tries to sell this to Weston's, and is successful, we will be very happy, since they are good competition. If, on the other hand, through it all we can eventually come to an agreement regarding our operations from a price-cutting and cut-throat competitive proposition—and get away from all that—we will have accomplished exactly what we are after without the necessity of capital expenditure. We might do this on the side if we agreed to stay out with him, and he agreed to behave. In any event, no harm can come, and we will not do anything other than what we have done without the approval of our Board. Both Stuart and I are very pleased with what has transpired so far, and I am sure Dad is."

(Exhibit 293)

On October 28, 1947, Mr. Peters, of Modern Bread, declared his readiness to accept the McGavin offer, subject to certain modifications. (Exhibit 390). The negotiations then continued for a number of weeks.

On December 11, 1947, Mr. H. E. Wright, of Canadian Bakeries, wrote to Mr. Brown, manager of McGavin's, Saskatoon, that he had been informed by Mr. Alex Ross, assistant general manager of Canadian Bakeries, of a conference with Allan McGavin, Jr. The letter reads:

"I had a phone call from Vancouver and Alex informs me that he has had a conference with Allan McGavin and that you will probably be taking over the Modern Bakery this week-end.

I know that you are going to be facing some terrific problems. When would be a good time for us to get together and discuss this northern Saskatchewan situation so that we can coordinate along with you in upward moves. I will be free almost any time after the middle of next week."

(Exhibit 288)

On December 12, 1947, Mr. Wright issued the following instructions to the branches of Canadian Bakeries in Saskatoon, North Battleford, Prince Albert and Yorkton:

"The above mentioned company [Modern Bread] has been purchased by McGavins and will in time be operating as one of their plants. As you are no doubt aware, McGavins will have a terrific job to adjust the many low prices in effect in Northern Saskatchewan. The advantages of these upward adjustments from the present low prices in effect will, of course, reflect on our business in the long run as much as it will on McGavins.

So that their problems will not be aggravated, it is suggested that you do not deliberately contact or solicit business from the present Modern Bakery customers until McGavins have had reasonable time to make the necessary upward adjustments in their prices. This will take time as in many cases it will mean a very considerable increase on their part to meet some of our present prices. There will be of course, the odd account that will change hands due to natural causes. This is to be expected. However, as I stated above, I don't want you to deliberately go out and solicit business at the present time, (from Modern Customer).

I expect to have a meeting with Bernie Brown of McGavins sometime in the near future and will then inform you of any agreements or arrangement that we arrive at so that price increases can be co-ordinated. In the meantime, I will expect you to play ball the way we would like to have our competitors play ball with us."

(Exhibit 291)

In evidence, Mr. D. A. Ross, assistant general manager of Canadian Bakeries, said:

Q. I show you Exhibit 288. Did you receive a copy of that letter, it is from Mr. Wright to Bernie Brown?

A. Yes.

Q. You had a discussion with Allan McGavin?

A. Yes. He telephoned me and said they had bought out the bakery and how did we feel about the aggressive angle of selling in that particular territory. I said we would keep our men out of the territory until they got their feet on the ground, we didn't want to make any unfair advantage of the situation, which we did.

(Evidence, Vancouver, p. 286)

Mr. Allan McGavin, Jr., vice-president and general manager of McGavin's, said in evidence:

Q. You told Mr. Ross you were buying the Prince Albert Modern Bread?

A. Yes.

Q. You asked Mr. Ross to co-operate in getting the situation stabilized?

A. I asked Mr. Ross to leave us alone and not to take advantage of the fact that we were moving in to clean the situation up.

Q. Mr. Ross in turn, wrote his branches not to bother your accounts while you were getting the prices up, in other words—

A. That is not my understanding, we were to be left alone, we were not to be off all those accounts on our Manifest.

Q. Because naturally a man who was buying from Modern Bread when his price was raised, would say "that is McGavins did that, that is McGavins raising the price" and they could take your accounts away?

A. All I asked Mr. Ross was to leave us alone until we found out where we were at in this thing ourselves, that is all, I didn't request him to lay off us while we raised the prices, as a matter of fact we didn't know much what had to be done, we paid a thousand dollars to find out.

Q. What do you mean by "lay off"?

A. We have five or six country salesmen running round the country, if we wanted to concentrate on one district we would send the selling power into one district. I was hoping he wouldn't take his selling force in and about Prince Albert and take advantage of the fact we had changed, particularly as we had changed the name from Modern Bread to McGavins Limited. That is all there was to that.

(Evidence, Vancouver, pp. 96-97)

On December 30, 1947, Mr. N. H. Browne, manager of Weston's, Regina, informed Mr. Conrad, vice-president and managing director of Weston's, of the acquisition of Modern Bread by McGavin's, as follows:

"I understand that McGavins have bought the Modern Bakery (Peter's) in Prince Albert. If this is so, I am sure you will appreciate as I do that in time McGavins will be able to clean up the price situation in the Prince Albert-Saskatoon zones. While the price picture in Prince Albert does not affect the southern Saskatchewan territory (Moose Jaw, Regina) it should have a marked effect in the shipping business out of Edmonton."

(Exhibit 508)

Mr. Conrad replied to Mr. Browne on January 2, 1948:

"I am quite aware that McGavin's bought the Modern Bakery in Prince Albert. Early during the summer, Mr. Frost and Mr. Norm Davis of Ogilvies' talked to me in Winnipeg about it and we agreed between us that if they did not want it, we would try and buy it to keep the price situation steady. However, they later advised that they had decided to purchase it which is alright with us."

(Exhibit 509)

On January 12, 1948, Mr. Stanley Powell, a merchant of Cymric, Saskatchewan, complained to McGavin's in Regina that his competitors were purchasing bread in Prince Albert at a low price and underselling him. (Exhibit 492). Mr. Dredger, manager of McGavin's, Regina, replied on January 15, 1948, as follows:

"In reply to your letter dated January 12th, we beg to advise that we have taken this matter up with the Modern Bread Co., Prince Albert and we can assure you that we will have the right answer for you in a few days. It may not be common knowledge as yet, but we have purchased the Modern Bread Co. in Prince Albert just recently and it will therefore be a simple matter to eliminate this ridiculous price for bread to your town. There was a reason for such ridiculously low quotations and the reasons should not be very hard for you to figure out. We would therefore recommend that you meet that price temporarily until this matter is straightened away and forward to us for credit the number of loaves of bread involved to be credited to you at 1½c. per loaf."

(Exhibit 491)

The effects on prices of the acquisition of Modern Bread by McGavin's were described in evidence by Mr. H. E. Wright, of Canadian Bakeries, as follows:

Q. Getting to the situation in northern Saskatchewan after the price increased, what is the price situation there at the present time?

A. The price situation is fairly level, as far as shipping is concerned it is fairly uniform, although it is below shipping prices in southern Saskatchewan.

Q. It is gradually being levelled out?

A. Yes.

Q. But immediately after September the 17th, after the price increased, the price situation there was not stable?

A. No, it was not.

Q. I think Modern Bread in Prince Albert were the reason?

A. It certainly was.

Q. That was a fairly large plant, shipping at many different prices to different customers?

A. In some instances shipping below our manufacturing costs.

Q. Is it fair to say, they were trying to maintain volume by selling at any price they could get?

A. Yes.

Q. Since McGavins bought out Modern Bread, that was about the end of the year 1947 was it?
A. Yes.
Q. Since that time, to your knowledge, McGavins have been making an effort to level prices, have they not?
A. Yes.
Q. And the result has been a general levelling of prices in that area?
A. Yes.

(Evidence, Calgary, pp. 189-190)

Confirming the levelling up of prices consequent upon the purchase of Modern Bread by McGavin's, Mr. Jones, manager of Canadian Bakeries, Prince Albert, said:

Q. On the date you raised, immediately after September the 15th, did you level all the prices at once?
A. No.
Q. That has been done between the time you raised and the present time?
A. Yes.
Q. McGavins bought out the Modern Bread?
A. Yes.
Q. In December 1947?
A. Yes.
Q. Did you do any levelling before December?
A. In the country?
Q. Yes?
A. On new accounts we took on.
Q. What about the old ones?
A. I left them.
Q. Have they been levelled since December to the present time?
A. Yes, I had to level them.
Q. You had to ?
A. Yes, my volume dropped so much, I was in the red so much.
Q. Why did your volume drop. On account of competition?
A. Competition some, yes, during the war years there were quite a lot of people around and I had quite a volume, but my volume dropped down on me.
Q. In any event since December you have levelled the shipping prices now?
A. Yes.

(Evidence, Saskatoon, pp. 7-8)

The evidence discloses that a uniform shipping price of 10c prepaid per loaf for both Canadian Bakeries and McGavin's bread in northern Saskatchewan became effective on February 16, 1948. McGavin's bread shipped into Prince Albert from Saskatoon subsequently retailed at the same price as Canadian Bakeries' bread, although a loaf produced by McGavin's under the old name of Modern Bread sold for 1c less.

The purchase of Modern Bread in Prince Albert by McGavin's Bakeries Limited and the simultaneous and subsequent agreements and arrangements between McGavin's and Canadian Bakeries were thus designed to and in effect did eliminate competition on a price basis in northern Saskatchewan. The successful elimination of competition resulted in a levelling up of prices by arrangement which was designed to and did increase the price of bread to the consumer.

V. CONCLUSION

The Combines Investigation Act (1927 R.S.C., cap. 26, as amended in 1935, 1937, and 1946) defines a "combine" as follows:

> "In this Act, unless the context otherwise requires,
>
> (1) "Combine" means a combination having relation to any commodity which may be the subject of trade or commerce, of two or more persons by way of actual or tacit contract, agreement or arrangement having or designed to have the effect of
>
> (*a*) Limiting facilities for transporting, producing, manufacturing, supplying, storing or dealing, or
>
> (*b*) preventing, limiting or lessening manufacture or production, or
>
> (*c*) fixing a common price or a resale price, or a common rental, or a common cost of storage or transportation, or
>
> (*d*) enhancing the price, rental or cost of article, rental, storage or transportation, or
>
> (*e*) preventing or lessening competition in, or substantially controlling within any particular area or district or generally, production, manufacture, purchase, barter, sale, storage, transportation, insurance or supply, or
>
> (*f*) otherwise restraining or injuring trade or commerce;
>
> or a merger, trust or monopoly; which combination, merger, trust or monopoly has operated or is likely to operate to the detriment or against the interest of the public, whether consumers, producers or others."

The Act defines a "merger" as follows:

> "(4) 'Merger, trust or monopoly' means one or more persons
>
> (*a*) who has or have purchased, leased or otherwise acquired any control over or interest in the whole or part of the business of another; or
>
> (*b*) who either substantially or completely control, throughout any particular area or district in Canada or throughout Canada the class or species of business in which he is or they are engaged;
>
> and extends and applies only to the business of manufacturing, producing, transporting, purchasing, supplying, storing or dealing in commodities which may be the subject of trade or commerce: provided that this subsection shall not be construed or applied so as to limit or impair any right or interest derived under *The Patent Act, 1935,* or under any other statute of Canada."

The evidence with respect to the alleged bread-baking combine in Saskatchewan, Alberta and British Columbia, has been examined in the preceding chapters of this report. It establishes that:

(1) The Western chain bakeries—the McGavin companies, Canadian Bakeries Limited, and Weston's Bread and Cake (Canada) Ltd.—occupy a predominant position in the bread-baking industry in each of these provinces and, acting in concert, have exercised substantial control over the business in which they are engaged in the three provinces.

(2) The Western chain bakeries, by concerted action among themselves and through the bakers' associations in each province, and more particularly the Alberta Master Bakers' Association Inc., under the direction of Mr. Charles Simmonds, have entered into

(*a*) agreements and arrangements fixing wholesale and retail prices;
(*b*) agreements and arrangements for the maintenance of resale prices;
(*c*) agreements and arrangements on uniform tenders;
(*d*) an interprovincial shipping agreement fixing the price of bread shipped across the Saskatchewan-Alberta boundary; and
(*e*) an agreement on a division of territory in Alberta.

(3) McGavin Bakeries Limited acquired ownership of the Modern Bread Company in Prince Albert, Saskatchewan, for the purpose of lessening competition in northern Saskatchewan, and, by price arrangements with Canadian Bakeries Limited, was enabled to effect such lessening of competition.

(4) The foregoing agreements and arrangements, whether of local, provincial or interprovincial application, are the products of an over-all agreement for concerted action by the Western chain bakeries designed to lessen and having the effect of lessening price competition in the sale of bread and bakery products in the provinces of Saskatchewan, Alberta and British Columbia.

(5) These agreements and arrangements were designed to have and did have the effect of preventing price reductions by the fixing and maintenance of wholesale and retail prices and of enhancing prices by other concerted acts designed to lessen competition.

The Western chain bakeries were originally built up in large measure under the financial control of flour-milling companies which, it may be assumed, were interested in establishing sustaining customers for the purchase of flour. The McGavin family, it is true, had a group of bakeries of their own but Allan McGavin, Jr., said in evidence:

> "We operate McGavin Bakeries Limited, which is controlled 95 per cent by the Ogilvie Flour Mills through Glenora Securities, they originally put up the money to build the plants that we operate on their behalf, they are the owners. McGavin Bakeries has plants in Saskatchewan, one in Manitoba, one in Lethbridge, one in Vancouver, and a branch at Victoria. You see how jealously we try to be fair in our line of demarcation. We don't want to take McGavin Bakeries into the McGavin Limited country, it doesn't belong to one of our companies. We operate the plants, and we brook no interference from the mills, if they want to run the bakeries they can have them."
>
> (Evidence, Vancouver, pp. 135-6)

The development of Canadian Bakeries Limited has taken place under the financial control of Maple Leaf Milling Company Limited. The majority of the bakeries now operated by Weston's Bread and Cake (Canada) Limited were formed into a chain originally by Lake of the Woods Milling Company Limited through its subsidiary, Inter City Western Bakeries Limited. Weston's purchased these bakeries from Inter City in 1938.

The activities, as already described, of the Western chain bakeries and the Associations which they have supported have resulted in the progressive elimination of price competition in the distribution and sale of bread in the provinces of Saskatchewan, Alberta and British Columbia. Throughout the various areas in these provinces in which these bakeries hold the dominant position in the industry, the structure of prices at each trade level has been established by agreement or common understanding and arrangements made to check and limit possible deviations from the prices so established. Through agreements on wholesale prices and the level of prices to the consumer the element of price competition has been removed in large measure from the distribution of bread whether sold by the bakery on a house to house delivery basis or by independent merchants through retail stores. Such activities, if completely successful, would establish one price for bread in any particular area regardless of the efficiency of the bakery which produced it or of the means of distribution whereby it was supplied to the consumer. This would not be a market price reached under conditions of price competition but a price established and maintained by the joint action of suppliers.

The preceding sections of this report reveal the extent to which competition in price has been supplanted by market control in the provinces of Saskatchewan, Alberta and British Columbia. Even in the few cities where chain or department stores operate their own bakeries, such outside competition has had little or no appreciable effect on the determination of prices by the chain bakeries. The limited nature of this competition has already been described, as well as the efforts made by the baking companies to limit such competition as far as possible. The control over resale prices which has been established by the baking companies in large part deprives the public of the benefit of competition among retailers in the sale of bread as well as among baking companies themselves.

There is probably no other field of distribution where greater developments have taken place under the spur of competitive enterprise than in the distribution of food products. Control over the resale prices of distributors by suppliers removes the element of price competition at the trade level and prevents a retailer from passing on to the public any reductions in price which he could effect through the organization of his business. In the case of a product such as bread, which is distributed on a house to house basis as well as through retail stores, resale price maintenance has the further restrictive effect of limiting competition between the two systems of distribution. The following comment delivered by an appeal court in a leading American case is relevant:

> "In the instant case the fact that malt is a standardized product, if such it be, with a tendency toward uniformity of price, makes it all the more important that such product be permitted to enter the channels of commerce unfettered by any restrictions which might impair such competition as otherwise exists."
>
> *United States Maltsters Association* v. *Federal Trade Commission.*
> (152 F. 2d 161).

Whether the retailer's margin is fixed by establishing the wholesale price at a discount from the retail price, as in the case of Vancouver where the chain bakeries established the wholesale price at a discount of 20 per cent off the retail price, or by establishing agreed wholesale and retail prices which are to be observed, the result is that the direction of the retailer's business in this important respect is removed from him and assumed by his supplier. No longer is the retailer free to determine at what price he may sell the goods in which he deals. He is directed by his supplier to sell at a certain price, sometimes under a threat, real or implied, that if he attempts to sell at any lower price he may be deprived of supplies. Another feature of resale price maintenance which is apparent in the evidence presented in this inquiry is that, as it is more generally adopted in the sale of a staple such as bread, it leads to a widening of the margin provided to the retailer. The producers determine and fix the margin of the retailer and seek his goodwill and sales assistance by offering margins greater than could be secured under normal competitive conditions. To a degree they guarantee such margins when they withhold their product, or threaten to withhold it, from dealers who will not observe the resale price.

It was submitted in evidence by the bakers and in argument by their counsel that the price of bread is in fact determined by actual and potential competition, such as the competition of home baking, small bakeries, department stores and chain stores, and that when prices are discussed at bakers' meetings, the effect is to bring the whole price structure down to the level of the most competitive bakery. The public interest, it was argued, is thereby protected.

While the bakers do face actual and potential competition and while increases in the price of their products are limited by the need to maintain their volume, the evidence, as has already been pointed out, establishes that the dominant position of the three Western chain bakeries is such that the competition offered to them has been of little or no effect, except in isolated instances, in influencing the price of their product. The smaller bakeries are all but exclusively engaged in retail sales through their own stores, while the Western chain bakeries dominate the wholesale business and house-to-house deliveries to consumers, as is shown in the statistical tables in the appendix to this report. If the competition of the other bakeries selling at lower prices were effective, it is obvious that these lower prices and not the prices fixed by the Western chain bakeries would prevail. The fact that the prevailing wholesale and retail prices in the three provinces are those of the Western chain bakeries serves to establish the substantial control which they exercise owing to the absence of effective competition.

The bakers also submitted that they are compelled by force of circumstances to discuss increases in costs and prices because they now deal with trade

unions on wage increases as an industry and not as individual plants, and further that trade associations and co-operation within the industry were encouraged during the war years by the Wartime Prices and Trade Board.

To assist it in the performance of its task, the Wartime Prices and Trade Board did encourage the formation of advisory committees representing various industries and requested the co-operation of existing trade associations. The purpose was to facilitate the drafting and enforcement of the Board's regulations, which, in the words of the Order-in-Council setting up the Board, "were made and established to provide safeguards under war conditions against any undue enhancement in the prices of food, fuel and other necessaries of life, and to ensure an adequate supply and equitable distribution of such commodities". The purpose and intent of the orders of the Board's administrator of bread and bakery products were, therefore, to prevent any enhancement in the prices of bread and bakery products beyond the prices prevailing in the basic period September 15 to October 11, 1941. In this way ceiling or maximum prices were established. It was not intended that they should be considered in any way as minimum prices or that competition should be lessened or eliminated with a view to establishing any minimum basis. Any concerted action to prevent prices from falling below the permitted maximum prices was, in fact, contrary to the purpose and intent of the orders of the Board and to the wartime policy of price control.

In any event, the evidence establishes that the policies of the principal bakers which were designed to lessen price competition long ante-dated the war years and the establishment of the Wartime Prices and Trade Board. It also shows that during the war years the bakers sought to take advantage of the Board's regulations to give effect to their own agreements to lessen price competition.

It was further submitted by the bakers that Mr. K. W. Taylor, chairman of the Board, through Col. Ruttan, then administrator of bread and bakery products, advised the baking industry that a 3 cent price increase would be acceptable after the removal of the flour subsidy on September 15, 1947, whereas a greater increase would probably lead to an investigation by the Board.

In his evidence before the House of Commons Special Committee on Prices (Minutes of Proceedings and Evidence, No. 12, p. 550), Mr. Taylor read a letter which he had written to Col. Ruttan on September 18, 1947, and which contained the following:

> "In the brief further discussion which followed I merely expressed my agreement that I felt he was taking the wiser course and I did add that if, as a matter of fact prices advanced more than three cents on the 24-ounce loaf, the Wartime Prices and Trade Board would have to examine its position and its duty in relation to the clear instructions we have from the Prime Minister and the Cabinet to watch decontrolled prices very carefully."

It will be noted that in this letter Mr. Taylor referred to an increase of 3c "on the 24-ounce loaf", whereas the evidence establishes that in most centres the principal bakers in the three Western provinces increased the retail price of bread uniformly by that amount in September, 1947, regardless of the weight of the loaf. In some cases, as in Vancouver, the wholesale price was advanced less than the increase in the retail price in order to provide a larger margin for retail stores. The price of bread in retail stores was increased by 3c a loaf in Vancouver, in Calgary, in Edmonton, in Regina, and in Saskatoon, although the standard loaf in Vancouver is 15 ounces, wrapped, or 16 ounces, unwrapped, and the standard loaf in Alberta and in Saskatchewan is 20 ounces.

With reference to the uniform increase in prices on the same day, Mr. Taylor said:

> "What I would not expect to find is that all prices would move up at the same moment of time and move down at the same moment of time, but I would expect prices to reach uniformity."
>
> (Evidence of Prices Committee, p. 557)

It was also submitted in argument by counsel for the bakers that the policies and practices of the bakers were permitted by, and must therefore be considered in the light of, certain provincial legislation in British Columbia and Alberta. Reference was made to the following Acts:

1. The Commodities Retail Sales Act (1937 British Columbia Statutes, c. 9), which authorizes a producer or wholesaler in British Columbia to fix a retail set price of a commodity and prohibits a retailer from offering any such commodity for sale at a price less than the price set by the producer or wholesaler.[1]

2. The Commodities Minimum Loss Act (1939 British Columbia Statutes, c. 34), which prohibits a retailer in British Columbia from offering for sale or selling any grocery product at a price less than 5 per cent above cost.

3. The Department of Trade and Industry Act (1942 Revised Statutes of Alberta, c. 14), under which, inter alia,

(*a*) It is the duty of the Minister of Trade and Industry to promote the formation of trade associations for the purpose of bettering the conditions of the trade and the elimination of practices detrimental to the trade;

(*b*) The Minister may invite the persons carrying on any trade in the province to appoint representatives to confer with him for the purpose of bettering the conditions of the trade, and shall then proceed to arrange conferences with these persons for the purpose of formulating codes and setting up standards of ethics, subject to the approval of the Minister, to effect stability in the industry by putting an end to competitive practices which are detrimental either to the trade or to any class of persons engaged therein or to the public, establishing and fixing the minimum and maximum prices chargeable for any commodity produced or dealt in by the trade, and establishing minimum standards of hours and wages;

(*c*) Upon being satisfied that any code so formulated is approved either by a majority of the persons engaged in the trade or by the persons owning over 50 per cent of the aggregate capital invested in it, the Lieutenant Governor in Council may by order declare that the code shall be in force, and the same shall then be binding upon every person carrying on the trade;

(*d*) The Lieutenant Governor in Council may by order prohibit the sale of any commodity at a price which is less than the laid down cost or replacement cost thereof with such additional amount or percentage as may be fixed in the order;

(*e*) Contravention of the provisions of codes fixing minimum prices are declared to be an offence punishable by fine or imprisonment.

Under the Department of Trade and Industry Act, a "Code of Fair Competition and Business Practice for Retail Trade" was proclaimed by Order in Council. It prohibited, inter alia, the use of "loss leaders" and the sale or offering for sale of any grocery products by a retailer at a price less than 5 per cent above the lowest wholesale price published in the most recent issue of any then current catalogue of a licenced wholesaler carrying on business in the same locality.

There is no doubt that the foregoing measures encouraged and authorized certain practices and policies restricting price competition. It should be pointed out, however, that while the Commodities Retail Sales Act authorizes a producer or wholesaler in British Columbia to fix the retail price of his commodity, it does not authorize a number of competing producers or wholesalers to combine in fixing one retail price for their commodity. The Commodities Minimum Loss Act of British Columbia likewise does not authorize such concerted action.

(1) In Alberta a similar provision was enacted in 1936 in an amendment to the Sale of Goods Act. This provision was repealed in 1939.

The provisions of the Alberta Department of Trade and Industry Act are broader than those of the British Columbia legislation. The Act, however, requires the approval of the Minister for a code governing an industry and a proclamation of the Lieutenant Governor in Council declaring that the code shall be in force. The evidence establishes that while a code for the baking industry was encouraged by and discussed with the provincial Department of Trade and Industry, no such code was ever formally approved or proclaimed. In March, 1948, the retail trade code in Alberta was amended by order in council to provide that the lowest wholesale price should be that prevailing when wartime price controls were removed. In announcing this action the Premier of Alberta is reported to have said that the government felt under existing conditions there should be no laws preventing merchants from reducing prices if they wished to do so.

It was further argued by the bakers and their counsel that the policies of the baking industry were not detrimental to the public interest in that the prices set for bread and other bakery products were not unreasonable; that these policies were, in fact, beneficial to the public interest in that stabilization of the baking industry prevented "cut-throat" competition, low wages, "bread wars", the elimination of smaller bakeries, and the lowering of the quality of the product; that such stabilization was necessary for the benefit of the industry, and that it did not eliminate competition in that intense competition on the basis of salesmanship, service and quality of the product was maintained; that such "understandings" as were reached did not constitute binding agreements; and that, in any event, these "understandings" were primarily intended to eliminate secret discounts and rebates on the wholesale price and did not affect the price to the consumer.

It appears to be a fact that so-called "cut-throat" competition has at times resulted in "bread wars" in Western Canada. Such competition was probably very detrimental to many bakers. It has not been established, however, that it was also to the detriment of the public. In fact, it would be difficult to establish that the elimination of such competition by the concerted action of private industry is or could be less detrimental to the public interest than the lessening or elimination of the protection afforded to the public by the preservation of free competition. This is, in effect, the substance of the decisions of the courts in leading cases under the Combines Investigation Act and Section 498 of the Criminal Code relating to conspiracies in restraint of trade.

In Weidman v. Shragge (1912), 46 S.C.R., at p. 4, Fitzpatrick, C. J., said:

> "Parliament has not sought to regulate the prices of commodities to the consumer, but it is the policy of the law to encourage trade and commerce and Parliament has declared illegal all agreements and combinations entered into for the purpose of limiting the activities of individuals for the promotion of trade; and preventing or lessening unduly that competition which is the life of trade and the only effective regulator of prices is prohibited."

In Container Materials Ltd. et al. v. The King, 1942 S.C.R., at p. 152, Duff, C. J., said:

> "The enactment before us, I have no doubt, was passed for the protection of the specific public interest in free competition. That in effect, I think, is the view expressed in Weidman v. Shragge in the judgments of the learned Chief Justice, of Mr. Justice Idington and Mr. Justice Anglin, as well as by myself. This protection is afforded by stamping with illegality agreements which, when carried into effect, prevent or lessen competition unduly and making such agreements punishable offences; and, as the enactment is aimed at protecting the public interest in free competition, it is from that point of view that the question must be considered whether or not the prevention or lessening agreed upon will be undue. Speaking broadly, the legislation is not aimed at protecting one party to the agreement against stipulations which may be oppressive and unfair as between him and the others; it is aimed at protecting the public interest in free competition."

With respect to the argument that stabilization is necessary for the benefit of the industry, Mignault, J., in Stinson-Reeb Builders Supply Co. et al v. The King, 1929 S.C.R. at p. 280, said:

> "It may be emphasized here that the advantage thus obtained by the manufacturers and dealers of the association is not the proper test. What is the true test was laid down by this court in Weidman v. Shragge as above stated. Injury to the public by the hindering or suppressing of free competition, notwithstanding any advantage which may accrue to the business interests of the members of the combine, is what brings an agreement or a combination under the ban of section 498 Cr. C."

With respect to competition based on salesmanship rather than on price, Robertson, C.J., in Rex v. Container Materials Ltd. et al, (1941) 3 D.L.R. at pp. 167-168, said:

> "Competition from which everything that makes for success is eliminated except salesmanship is not the free competition that s. 498 is mainly designed to protect. It brings to the customer no opportunity to buy at a lower price or on better terms, or to buy better or more attractive goods for the same money, and this is one of the principal benefits to be had from free competition."

With respect to the contention that there is no injury to the public if the prices set are reasonable, Sifton, C. J., in Rex v. Clarke, (1907) 1 A.L.R. at p. 365, said:

> "The question does not necessarily arise as to whether the price of lumber has been lowered or raised in the province of Alberta. That does not contain the essence of the crime that is made by the statute in connection with this case. As I understand it, the essence of that crime is that men should agree to do something that would unduly prevent competition. In my estimation, you can unduly prevent competition without raising the price of lumber."

On the same point, Laliberté, J., in Rex v. Canadian Import Co. et al, (1933) 61 C.C.C. at p. 161, said:

> "I feel bound, however, to follow the principles laid down in Weidman v. Shragge; Stinson-Reeb v. The King; U.S. v. Trenton Potteries and Rex v. Alexander Ltd., and to rule that it is not necessarily the duty of the Court to inquire into and regulate prices that may change from day to day. It is rather the duty of the Court to look into the nature of the agreement itself and to see whether it interferes with the free course of trade, or in other words, 'What the thing was in essence that the defendants were seeking to accomplish'."

In United States v. Trenton Potteries Co., 273 U.S., p. 392, the Supreme Court of the United States held that:

> "The reasonable price fixed today may through economic and business changes become the unreasonable price of tomorrow. Once established, it may be maintained unchanged because of the absence of competition secured by the agreement for a price reasonable when fixed. Agreements which create such potential power may well be held to be in themselves unreasonable or unlawful restraints, without the necessity of minute inquiry whether a particular price is reasonable or unreasonable as fixed and without placing on the Government in enforcing the Sherman Law the burden of ascertaining from day to day whether it has become unreasonable through the mere variation of economic conditions."

Considering the facts disclosed by the evidence on the alleged bread combine and the decisions of the Courts on "the specific public interest in free competition", it is necessary to conclude that the combine in the bread-baking industry disclosed by the evidence "has operated or is likely to operate to the detriment or against the interest of the public". The bakers' contention that their "understandings" did not constitute binding agreements does not mitigate the offence, which is constituted by the fact of the agreement. It is not necessary that sanctions be provided, although the evidence discloses the existence of a sanction in the form of a threat to withhold supplies. Even where no sanctions existed, the evidence discloses that the agreements and understandings were operative.

The further contention of the bakers that their "understandings" were primarily intended to eliminate secret discounts and rebates on the wholesale

price and did not affect the price to the consumer, is contradicted by the evidence which establishes agreements on a wider basis. The evidence shows that the agreements to eliminate rebates and discounts were subsidiary to the principal agreements fixing wholesale prices. Secret discounts were considered a violation of these price-fixing agreements. Hence the decision to eliminate them. Furthermore, the policy of eliminating wholesale discounts and rebates must be considered together with the policy of retail price-fixing, particularly in Alberta and British Columbia, which, in effect, prevented the passing on of such rebates and discounts to the consumer.

Representatives of the bakers drew attention to Section 498A of the Criminal Code which reads, in part, as follows:

> "Every person engaged in trade or commerce or industry is guilty of an indictable offence and liable to a penalty not exceeding one thousand dollars or to one month's imprisonment, or, if a corporation, to a penalty not exceeding five thousand dollars, who (*a*) is a party or privy to, or assists in, any transaction of sale which discriminates, to his knowledge, against competitors of the purchaser in that any discount, rebate or allowance is granted to the purchaser over and above any discount, rebate or allowance available at the time of such transaction to the aforesaid competitors in respect of a sale of goods of like quality and quantity."

This provision of the Code prohibits certain discriminatory discounts, rebates or allowances. It does not, however, authorize or permit the fixing of uniform prices by concerted action. As has been shown, the "understandings" to eliminate secret discounts were subsidiary to price-fixing agreements and their purpose and intent were to enforce these agreements.

In my opinion, the evidence discloses that the acts in restraint of trade committed by the companies and associations named hereunder constitute violations of the provisions of the Combines Investigation Act, and that the following have been parties to the formation and operation of a combine within the meaning of Section 2 of the Combines Investigation Act:

McGavin Bakeries Limited.

McGavin Limited (Alberta).

McGavin Limited (British Columbia).

Canadian Bakeries Limited.

Weston's Bread and Cake (Canada) Limited.

Alberta Master Bakers' Association, Incorporated.

Master Bakers' Association (Vancouver).

H. CARL GOLDENBERG
Special Commissioner.

APPENDIX

TABLE 1. BREAD-BAKING INDUSTRY STATISTICS, 1946
ALBERTA

—	No. of Establishments	Bread Made		Total Production (Bread, Cakes, Pastries, etc.)	Distribution of Sales			Total Sales
		Quantity	Value		Wholesale including sales to restaurants	Retail house to house	Retail through own stores	
	No.	lbs.	$	$	$	$	$	$
Calgary—								
Canadian Bakeries Ltd. McGavin Ltd. Weston's Bread & Cake (Canada) Ltd. Palace Bread Limited	4	27,451,795	1,687,099	2,489,942	2,095,102	394,840	.....	2,489,942
Other Bakeries	20	4,143,510	263,615	850,306	143,854	17,750	688,702	850,306
Total	24	31,595,305	1,950,714	3,340,248	2,238,956	412,590	688,702	3,340,248
Percentage of Chain Bakeries and Palace Bread Limited to Total	.....	86·8	86·4	74·5	93·5	95·6	.....	74·5
Edmonton—								
Canadian Bakeries Ltd. McGavin Ltd. Weston's Bread & Cake (Canada) Ltd.	3	27,850,528	1,691,054	2,451,960	2,153,380	298,580	.....	2,451,960
Other Bakeries	21	4,871,725	270,652	1,033,791	428,574	3,636	601,581	1,033,791
Total	24	32,722,253	1,961,706	3,485,751	2,581,954	302,216	601,581	3,485,751
Percentage of Chain Bakeries to Total	.....	85·1	86·2	70·3	83·4	98·7	.....	70·3
Lethbridge—								
Canadian Bakeries Ltd. McGavin Bakeries Ltd.	2	5,391,413	321,369	397,393	337,866	59,527	.....	397,393
Other Bakeries	3	381,792	29,815	87,662	40,000	.....	87,662	87,662
Total	5	5,773,205	351,184	485,055	377,866	59,527	87,662	485,055
Percentage of Chain Bakeries to Total	.....	93·3	91·5	81·7	89·4	100·0	.....	81·9
Alberta—								
Chain Bakeries and Palace Bread Ltd.	10	61,539,833	3,754,637	5,430,612	4,652,061	778,551	.....	5,430,612
Other Bakeries	113	19,338,909	1,251,918	2,981,575	1,090,939	72,302	1,818,334	2,981,575
Total	123	80,878,742	5,006,555	8,412,187	5,743,000	850,853	1,818,334	8,412,187
Percentage of Chain Bakeries and Palace Bread Ltd. to Total	.....	76·0	74·9	64·5	81·0	91·5	.....	64·5

TABLE 2.- BREAD-BAKING INDUSTRY STATISTICS, 1946
BRITISH COLUMBIA

—	No. of Establishments	Bread Made		Total Production (Bread, Cakes, Pastries, etc.)	Distribution of Sales			Total Sales
		Quantity	Value		Wholesale including sales to restaurants	Retail house to house	Retail through own stores	
	No.	lbs.	$	$	$	$	$	$
Vancouver—								
Weston's Bread & Cake (Canada), Ltd.... McGavin Limited..... General Bakeries Ltd..... Canadian Bakeries Ltd.....	4	42,250,534	3,155,568	4,231,793	3,427,808	803,985	.....	4,231,793
Other Bakeries.....	109	16,455,849	924,632	4,510,757	1,549,388	42,019	2,919,350	4,510,757
Total.....	113	58,706,383	4,080,200	8,742,550	4,977,196	846,004	2,919,350	8,742,550
Percentage of Chain Bakeries to Total.....	.....	71·9	77·3	48·4	68·8	95·0	.....	48·4
Victoria—								
Weston's Bread & Cake (Canada) Ltd.... McGavin Bakeries Limited..... Canadian Bakeries Ltd.....	3	10,143,010	801,957	1,027,256	674,526	352,730	.....	1,027,256
Other Bakeries.....	31	2,199,730	156,349	817,098	239,577	2,120	575,511	817,098
Total.....	34	12,342,740	958,306	1,844,354	914,103	354,850	575,511	1,844,354
Percentage of Chain Bakeries to Total.....	.....	82·1	83·6	55·6	73·7	99·4	.....	55·6
New Westminster—								
Canadian Bakeries, Ltd.....	1	4,948,300	392,434	392,434	274,704	117,730	.....	392,434
Other Bakeries.....	10	656,467	43,213	188,647	48,212	18,594	121,841	188,647
Total.....	11	5,604,767	435,647	581,081	322,916	136,324	121,841	581,081
Percentage of Chain Bakeries to Total.....	.....	88·2	90·0	67·5	85·0	86·3	.....	67·5
British Columbia—								
Chain Bakeries and General Bakeries Ltd..	12	62,813,243	4,769,763	6,191,092	4,826,685	1,364,407	.....	6,191,092
Other Bakeries.....	249	37,522,778	2,509,150	7,723,320	2,914,322	347,088	4,436,695	7,698,105
Total.....	261	100,336,021	7,278,913	13,914,412	7,741,007	1,711,495	4,436,695	13,889,197
Percentage of Chain Bakeries and General Bakeries Ltd. to Total.....	.....	62·6	65·5	44·5	62·3	79·7	.....	44·5

TABLE 3. BREAD-BAKING INDUSTRY STATISTICS, 1946

SASKATCHEWAN

—	No. of Establishments	Bread Made		Total Production (Bread, Cakes, Pastries, etc.)	Distribution of Sales			Total Sales
		Quantity	Value		Wholesale including sales to restaurants	Retail house to house	Retail through own stores	
Regina—	No.	lbs.	$	$	$	$	$	$
Canadian Bakeries Ltd. McGavin Bakeries Ltd. Weston's Bread & Cake (Canada) Ltd.	3	17,504,108	987,623	1,386,116	1,168,831	213,992	3,293	1,386,116
Other Bakeries	11	2,612,019	141,081	489,899	203,308	58,246	228,345	489,899
Total	14	20,116,127	1,128,704	1,876,015	1,372,139	272,238	231,638	1,876,015
Percentage of Chain Bakeries to Total	.....	87·0	87·5	73·8	85·1	78·6	1·42	73·8
Saskatoon—								
Canadian Bakeries Ltd. McGavin Bakeries Ltd.	2	18,731,018	913,334	1,189,357	1,016,095	173,262	.....	1,189,357
Other Bakeries	7	2,762,235	137,876	380,747	99,695	.....	281,052	380,747
Total	9	21,493,253	1,051,210	1,570,104	1,115,790	173,262	281,052	1,570,104
Percentage of Chain Bakeries to Total	.....	87·1	86·8	75·7	91·0	100	.....	75·7
Moose Jaw—								
Canadian Bakeries Ltd. Weston's Bread & Cake (Canada) Ltd.	2	4,641,622	269,115	386,502	296,682	89,820	.....	386,502
Other Bakeries	5	831,116	47,576	162,348	44,130	25,320	92,898	162,348
Total	7	5,472,738	316,691	548,850	340,812	115,140	92,898	548,850
Percentage of Chain Bakeries to Total	.....	84·8	84·9	70·4	87·0	78·0	.....	70·4
Saskatchewan—								
Chain Bakeries	11	51,006,903	2,697,652	3,594,637	2,999,420	555,324	39,893	3,594,637
Other Bakeries	80	16,264,668	864,261	1,756,926	742,239	92,324	922,363	1,756,926
Total	91	67,271,571	3,561,913	5,351,563	3,741,659	647,648	962,256	5,351,563
Percentage of Chain Bakeries to Total	.....	75·8	75·7	67·1	80·1	85·7	4·1	67·1

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